

CITY OF MT. JULIET, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2015

CITY OF MT. JULIET, TENNESSEE

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Commissioners
City of Mt. Juliet, Tennessee
Mt. Juliet, Tennessee

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Mt Juliet, Tennessee (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mt. Juliet, Tennessee as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund, State Street Aid Fund and Emergency Services Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2015, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 68, *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 27*. The statement is effective for fiscal years beginning after June 15, 2015. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages iii through xiv and required supplementary information on page 38 to 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the US Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules, including the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Juliet's internal control over financial reporting and compliance.



November 2, 2015

Management's Discussion and Analysis

As management of the City of Mt. Juliet, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. The analysis will focus on significant financial position, budget changes, and variances from the budget, and specific issues related to funds and the economic factors affecting the City. We encourage readers to read the information presented here in conjunction with additional information that is furnished in the City's financial statements, which follow this narrative.

Financial Highlights

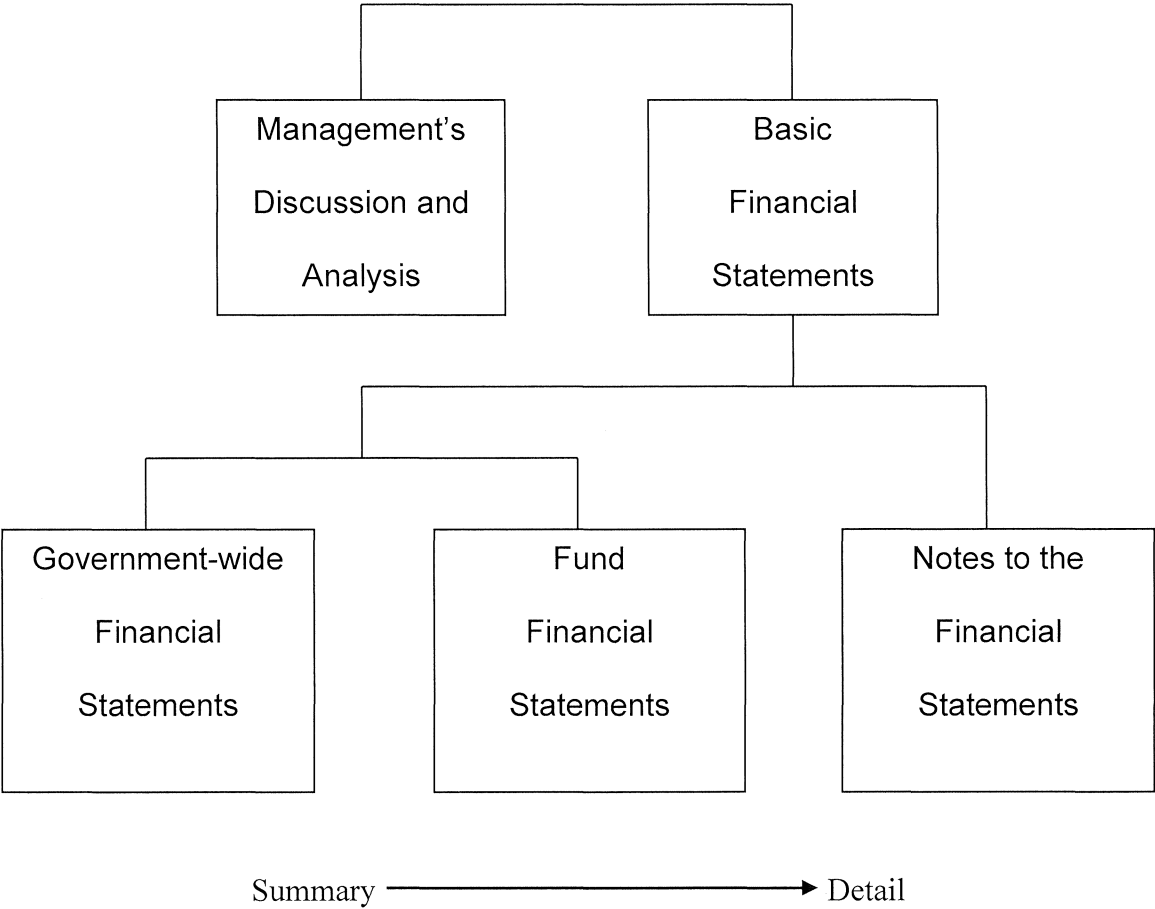
- The assets and deferred outflows of resources of the City of Mt. Juliet, TN exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$110.1 million.
- The government's total net position increased by \$14.0 million, due to increases in the business type activities net position of \$4.9 million and \$9.1 million due to government activity over 6/30/2014.
- As of the close of the current fiscal year, the City of Mt. Juliet's governmental funds reported combined ending fund balances of over \$25.2 million an increase of \$5.39 million in comparison with the prior year. Over 53.5% of this total amount, or \$13.5 million, is available for spending at the government's discretion and is considered unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13.5 million, or 73.0 percent of total governmental fund expenditures for the fiscal year.
- The City of Mt. Juliet's total debt decreased by \$1.1 million (5.0%) during the current fiscal year. The decreases were created by principal payments \$995,000 as scheduled for bonds and capital notes. In addition, the City reduced its capital lease obligation by \$230,000 and paid an additional \$500,000 of principal for the capital note issued to purchase the Police Headquarters building due to a sale of surplus land that was not scheduled. Debt was increased \$529,000 in order to recognize the increase in the net OPEB (Other Post Employment Benefits) obligation which represents the health care obligations of the City for retired employees.
- The City of Mt. Juliet retained its AA+ rating by Standard and Poor's, held since 12/30/2013 and has been classified as stable since 6/30/2009.
- During the year the City implemented GASB 68 relating to pension reporting. The implementation resulted in a prior period adjustment of a decrease in net position of \$872,678 relating to the net pension obligation at June 30, 2014. The obligation affected governmental activities by \$806,691 and business-type activities by \$6,517. See Note 15 for additional information.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Mt. Juliet’s basic financial statements. The City’s basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other information that will enhance the reader’s understanding of the financial condition of the City of Mt. Juliet.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

City of Mt. Juliet

The first two statements, pages 1 and 2, in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements, pages 3 through 15, are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. These notes are disclosed on pages 16-37. After the notes, additional information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements. There are additional financial schedules and other required reports.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. Sewer is the only service offered by the City of Mt. Juliet. The City of Mt. Juliet has no component units.

The government-wide financial statements are on pages 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mt. Juliet, TN, like all other governmental entities in Tennessee,

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uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Mt. Juliet can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The **City of Mt. Juliet** adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City the management of the City and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board of Commissioners; 2) the final budget as amended by the Board of Commissioners; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – City of Mt. Juliet has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Mt. Juliet uses an enterprise fund to account for its sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the City of Mt. Juliet. The City uses an internal service fund to account for one activity – its Employee Benefit activity. Because this operation benefits predominantly governmental rather than business-type activities, the internal

City of Mt. Juliet

service fund assets and liabilities have been included within the governmental activities in the government-wide financial statements with a due to and due from to allocate the proper portion to business type activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 16-37 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Mt. Juliet's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 38 to 40.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Mt. Juliet exceeded liabilities and deferred inflows of resources by \$110.1 million as of June 30, 2015. The City's net position increased by \$14.0 million for the fiscal year ended June 30, 2015 when compared to the fiscal year ended June 30, 2014. However, the largest portion, 70.4% reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Mt. Juliet uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mt. Juliet's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Mt. Juliet's net position, 12.2% represents resources that are subject to external restrictions on how they may be used. The remaining balance of almost \$19.1 million is unrestricted.

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City of Mt. Juliet Net Position						
	Governmental		Business Type			
	Activities		Activities		Total	Total
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 32,277,172	\$ 25,136,214	\$ 12,225,431	\$ 10,405,123	\$ 44,502,603	\$ 35,541,337
Capital Assets	48,728,207	46,797,820	44,229,691	40,842,856	92,957,898	87,640,676
Total Assets	81,005,379	71,934,034	56,455,122	51,247,979	137,460,501	123,182,013
Deferred Outflows of Resources	850,319	142,590	78,862		929,181	142,590
Long Term Liabilities Outstanding	19,417,594	20,644,262	456,219	401,504	19,873,813	21,045,766
Other Liabilities	4,881,381	3,758,335	1,077,389	804,633	5,958,770	4,562,968
Total Liabilities	24,298,975	24,402,597	1,533,608	1,206,137	25,832,583	25,608,734
Deferred Inflows of Resources	2,368,402	1,578,452	76,646		2,445,048	1,578,452
Net Position:						
Net Investment in Capital Assets						
Net of Related Debt	33,751,650	30,485,941	43,778,279	40,842,856	77,529,929	71,328,797
Restricted	6,939,121	5,684,233	6,524,650	7,277,973	13,463,771	12,962,206
Unrestricted	14,497,550	9,925,401	4,620,801	1,921,013	19,118,351	11,846,414
Total Net Position	\$ 55,188,321	\$ 46,095,575	\$ 54,923,730	\$ 50,041,842	\$ 110,112,051	\$ 96,137,417

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Local sales tax collection increased due to incoming retail locations and maturity of others.
- Continued low cost of debt due to the City's high bond rating.
- A sustained building "boom" that increases fees across the entire revenue spectrum.

City of Mt. Juliet

City of Mt. Juliet Changes in Net Position						
	Governmental		Business Type		Total	Total
	Activities		Activities		2015	2014
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$ 4,152,659	\$ 3,294,572	\$ 5,293,464	\$ 4,541,834	\$ 9,446,123	\$ 7,836,406
Operating Grants and Contributions	1,042,417	944,497			1,042,417	944,497
Capital Grants and Contributions	3,496,101	304,637	5,099,830	3,024,056	8,595,931	3,328,693
General Revenues						
Sales Taxes	8,292,166	7,568,224			8,292,166	7,568,224
Property Tax	1,577,329	1,474,420			1,577,329	1,474,420
Other Locally Assessed Taxes	3,366,258	2,915,878			3,366,258	2,915,878
Other State Shared Taxes	2,550,998	2,402,080			2,550,998	2,402,080
Investment Earnings & Rental Income	38,895	12,746	99,661	65,770	138,556	78,516
Other	798,165	227,769			798,165	227,769
Total Revenues	\$ 25,314,988	\$ 19,144,823	\$ 10,492,955	\$ 7,631,660	\$ 35,807,943	\$26,776,483
Expenses:						
General Government	\$ 2,792,067	\$ 3,090,709			\$ 2,792,067	\$ 3,090,709
Public Safety	7,206,242	6,365,886			7,206,242	6,365,886
Recreation and Culture	1,288,574	1,273,723			1,288,574	1,273,723
Streets and Public Works	3,860,666	3,997,565			3,860,666	3,997,565
Stormwater	337,410	278,895			337,410	278,895
Interest on Debt	677,723	692,094			677,723	692,094
Past Years' Obligation to County Schools					-	-
Sewer			5,604,550	5,781,592	5,604,550	5,781,592
Total Expenses	\$ 16,162,682	\$ 15,698,872	\$ 5,604,550	\$ 5,781,592	\$ 21,767,232	\$21,480,464
Increase (Decrease) in Net Position	9,152,306	3,445,951	4,888,405	1,850,068	14,040,711	5,296,019
Net Position Beginning of Year	46,095,576	42,649,625	50,041,842	48,191,774	96,137,418	90,841,399
Restatement	(59,470)		(6,517)		(65,987)	-
Net Position End of Year	\$ 55,188,412	\$ 46,095,576	\$ 54,923,730	\$50,041,842	\$ 110,112,142	\$96,137,418

Governmental Activities: Governmental activities increased the City's net position by over \$9.1 million, thereby accounting for 65.0% of the total growth in the net position of the City of Mt. Juliet. Key elements of this increase are as follows:

- Local Option Sales Tax revenues increased 9.6% with additional businesses in operation which is the second year in a row where such growth has exceeded 9%.
- Property tax was instituted for the year ended June 30, 2012 and increased almost 7.0% during 2015 without a rate increase supporting fire protection.
- City codes require developers to build to a certain standard in streets for which the City then assumes responsibility and receives donated infrastructure.
- Developers also provided over \$162 thousand in road improvement fees.

Business-type activities: Business-type activities increased the City of Mt. Juliet's net position by \$4.9 million, accounting for 35.0% of the total growth in the government's net position. Key elements of this increase are as follows:

- City codes require developers to build to a certain standard for sewers for which the City assumes responsibility and receives donated infrastructure.
- Development continues to increase the business-type assets with sewer tap fee and sewer development fee requirements.

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- The City has taken a more aggressive approach to the recovery of the sewer services expenditures from customers in an effort to recover depreciation instituting a 10% rate increase during 2014-2015.

Financial Analysis of the City of Mt. Juliet Funds

As noted earlier, the City of Mt. Juliet uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City of Mt. Juliet's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Mt. Juliet's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Mt. Juliet. At the end of the current fiscal year, unassigned fund balance of the General Fund was almost \$13.5 million, while total fund balance was over \$18.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents almost 116.1% of total General Fund expenditures while total fund balance represents 159.1% of the same expenditures.

At June 30, 2015, the governmental funds of City of Mt. Juliet reported a combined fund balance of over \$25.2 million, a 27.1 percent increase over last year as restated. Included in this change are fund balance increases in the General, State Street Aid, Emergency Services, and Debt Service Funds and decreases in the Capital Projects Fund. The city instituted a property tax for the first time in over 10 years with the year ended 6/30/2012 dedicated to the Emergency Services Fund that has raised over \$5.6 million since inception that has been used for the purchase of capital resources, salaries and operating costs for and of the Fire Department with the remainder being held for the same.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Local property tax contributed over \$1.57 million in the current year. Local Option Sales Tax revenues were 5.7 percent or over \$444 thousand above the budget of revenue in the largest City revenue category. The third largest contributor to local revenue, Franchise Tax was 39% or over \$282 thousand above expectations and above the previous year as well. Revenue in most areas exceeded budget with the notable exception of Wholesale Beer Tax revenue. The other largest increases were the result of road improvement fees,

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contributions from others and various permit fees including Wholesale Liquor Tax revenue. License and Permit fees were 49.7% above budget due mostly from an unanticipated surge in building permits.

The City Manager and Department Heads made every effort to hold expenditures well within budgets in order to increase the General Fund Balance in anticipation of the City's desire to complete the Eastern Connector between I-40 at Beckwith and Highway US 70. Some repairs and improvements to infrastructure items have been deferred, most notably some road repaving in further effort to increase the General Fund balance.

The City has tasked the General Capital Projects Fund to arrange the construction of the Eastern Connector, The State is participating in this project with near 80% funding and the state is in charge of the speed with which the project is completed. The fund budgeted in 2015 the maximum expenditures expected for the project and included the state reimbursements expected as fund revenue, There were multiple issues at the Environmental Protection Agency creating many delays in obtaining the necessary permits.. The result is that neither the expenditures nor the revenue materialized in this fund during 2015 and both were re-budgeted in 2016. The construction is now approved to proceed as planned.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Sewer Fund at the end of the fiscal year amounted to almost \$4.6 million. The total increase in net position for the fund was over \$2.7 million. The Fund continues to sustain an operating loss when depreciation of the assets is considered but the loss has shrunk over the past few years. The situation was addressed in the budget of 2015-2016 with a 5% rate increase effective August 1, 2015.

- Developers built sewer lines to the required City standard which were then contributed to the City in the amount of almost \$1.325 million. The City assumed responsibility for maintenance, repair and eventual replacement of these assets.
- Developers also contributed almost \$3.8 million in tap fees that will be available for sewer expansion and replacement.

Capital Asset and Debt Administration

Capital Assets: The City of Mt. Juliet's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals almost \$93.0 million (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major Capital Asset Acquisitions Fiscal Year 2014-2015

Governmental Activities

Developers contributed \$1.256 million in roads
Public Works equipment \$71 thousand
ROW for Eastern Connector project, \$1.646 million

City of Mt. Juliet

Public Works Vehicles, \$39 thousand
 Traffic Study Improvements and Feasibility Engineering, \$83 thousand
 Park Playground Equipment, \$324 thousand
 Robinson Park Improvements, \$175 thousand
 Park Maintenance Equipment, \$15 thousand
 Police Vehicles, \$228 thousand
 Police Department Equipment, \$59 thousand
 Firing Range Improvements, \$10 thousand
 Fire Communication Equipment, \$33 thousand
 Individual Firefighter protection, \$41 thousand
 Vehicles for City Administrators, \$52 thousand
 City Hall renovations, \$197 thousand

Business Activities

Donated Sewer Lines, \$1.325 million
 Sewer Vehicles, \$118 thousand
 Sewer Discharge Monitoring Equipment, \$94 thousand
 Sewer Pumps (grinders. Portable, replacements), \$129 thousand
 Sewer Equipment, \$65 thousand
 Construction in progress-South Basin, Nonaville, and Highway 70, \$2.788 million

Asset Class	<u>City of Mt. Juliet's Capital Assets</u>					
	Governmental		Business Type		Total	Total
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 4,618,310	\$ 2,970,969	\$ 1,141,135	\$ 1,141,135	\$ 5,759,445	\$ 4,112,104
Bldgs and Improvements	7,111,669	7,111,669	498,000	492,733	7,609,669	7,604,402
Improv Other than Bldgs	3,770,317	3,484,769			3,770,317	3,484,769
Machinery and Equipment	10,282,940	9,820,300	647,085	769,847	10,930,025	10,590,147
Construction in Progress	1,746,261	1,616,335	3,222,021	434,032	4,968,282	2,050,367
Collection System			56,937,794	55,330,403	56,937,794	55,330,403
Infrastructure	36,109,379	34,813,335			36,109,379	34,813,335
					-	-
Total Cost	\$ 63,638,876	\$ 59,817,377	\$ 62,446,035	\$ 58,168,150	\$ 126,084,911	\$ 117,985,527
Less Accumulated Depreciation	14,910,669	13,019,557	18,216,345	17,325,294	33,127,014	30,344,851
Net Capital Assets	\$ 48,728,207	\$ 46,797,820	\$ 44,229,690	\$ 40,842,856	\$ 92,957,897	\$ 87,640,676

Additional information on the City capital assets can be found in note 3 on page 22 and 23 of the basic Financial Statements.

Long-term Debt: As of June 30, 2015, the City of Mt. Juliet had total bonded debt, lease-purchases, long term obligations and capital notes outstanding of almost \$21.6 million. The entire debt is backed by the full faith and credit of the City of Mt. Juliet.

City of Mt. Juliet

City of Mt. Juliet's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business Type Activities		Total	Total
	2015	2014	2015	2014	2015	2014
General Obligation Bonds/Capital Notes	\$ 15,041,149	\$ 16,536,854			\$ 15,041,149	\$ 16,536,854
Obligation to County School System	284,602	284,602			284,602	284,602
Capital Lease-Fire Apparatus	2,369,969	2,600,028			2,369,969	2,600,028
Revenue Bonds					-	-
OPEB Obligations and Compensated Absences	3,435,041	2,899,558	456,219	401,504	3,891,260	3,301,062
Total	\$ 21,130,761	\$ 22,321,042	\$ 456,219	\$ 401,504	\$ 21,586,980	\$ 22,722,546

Impact Fee revenue is allocated to the Debt Service Fund in order to liquidate the City's bonds that were issued to support the City road building projects. Such revenue must be supplemented with transfers from the General Fund in order for the fund to meet the outstanding obligations. The City of Mt. Juliet's total debt decreased by more than \$1.1 million or near 5.0% during the past fiscal year, due to principal payments that were liquidated when due during the year ended 6/30/2015 and the sale of surplus land allowing for early liquidation of a portion of the Capital Notes issued to acquire the police headquarters building.

As mentioned in the financial highlights section of this document, the City of Mt. Juliet has maintained its AA+ rating by Standard and Poor's Corporation. This bond rating is a clear indication of the sound financial condition of City of Mt. Juliet.

The City of Mt. Juliet's debt policy seeks to limit governmental total outstanding debt obligations to five percent (5%) of assessments, or \$1400 per capita whichever is lower. At 6/30/2014 governmental debt was less than 3.0% of assessments and less than \$767 per capita. The City initiated a Special Census during the year that documented the population had grown 3,611 to 28,159 increasing 14.7% since the decennial census of 2010.

Total debt payments for the next fiscal year are just above \$1.674 million. Additional information regarding the City of Mt. Juliet's long-term debt can be found in note 6 beginning on page 24 and 25 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- The City's unemployment rate in June 2015 estimated at 4.9% is below the National average of 5.5% as well as the Tennessee rate of 5.8%.
- The City's office occupancy rates are over 90% for the year and most retail space being created is presold.
- FedEx is expected in Mt. Juliet to complete its opening a center that will add 1200 jobs to the employment picture.
- An extension to an existing development is anticipated to add another 1000 jobs.

City of Mt. Juliet

- An additional retail area is likely to develop within the next three years, as the city has committed to providing additional sewage capability south of the interstate 40. Construction of the system is in progress.
- The city has also committed to improving sewer capacity on Lebanon Road to open opportunities for more home building and subdivision development. Construction is underway there as well.
- Recent completions of local apartment buildings have added over 750 additional living quarters.
- Apartments are also on the drawing boards and under construction that will provide another 800 units before 12/31/2016.
- The Marriott will open a new motel facility during the year ending 6/30/2016.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: The fourth year of property tax revenue has been collected and the City will use this revenue to finance salaries and operating costs and consider the creation of another staffed station. The City anticipates nominal growth in local tax revenue, licenses and permits.

Increases in the General Fund expenditures are anticipated with the largest increments in employee compensation, including funding compensation and benefits adjustments. However, budgeted expenditures are expected to exceed budgeted revenue for 6/30/2016 by \$2.5 million due to effort directed toward the “Eastern Connector” city roadway and therefore some assignment of the 6/30/2015 unassigned fund balance will be necessary.

Business – type Activities: The sewer rates in the City will be increased 5% during the fiscal year ended 6/30/2016. Nominal revenue growth will be funded by new customers. Purification costs of wastewater can be expected to rise 2.0% in accordance with the Metro contract. Personnel costs can be expected to rise 2.5%. General operating expenses will increase by 2.0% to cover increased costs of material, supplies, and other operating expenses. Considering depreciation the Sewer Fund revenue will fail to cover 100% of the cost of operations but it will improve its position when compared to other years..

Requests for Information

This report is designed to provide an overview of the City of Mt. Juliet’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, John Rossmaier, PO Box 679, Mt. Juliet, TN 37121-0679 or email at jrossmaier@cityofmtjuliet.org

Additional budget information is published on the City of Mt. Juliet’s website under City Documents, Online Documents, Finance, and City Budget.
<http://www.cityofmtjuliet.org/>

CITY OF MT. JULIET, TENNESSEE

Statement of Net Position

June 30, 2015

	Primary Government		Total
	Governmental	Business-type	Primary
	Activities	Activities	Government
<u>Assets</u>			
Cash and cash equivalents	\$24,503,590	3,871,991	28,375,581
Investments	-	1,049,322	1,049,322
Receivables (net):			
Property taxes	1,568,547	-	1,568,547
Other taxes	190,917	-	190,917
Due from other governments	2,914,552	-	2,914,552
Internal balances	18,878	(18,878)	-
Interest receivable	26	3,420	3,446
Customers and other	329,860	729,246	1,059,106
Inventories	-	52,896	52,896
Restricted assets:			
Cash - construction	-	6,485,599	6,485,599
Cash - bond proceeds	2,303,853	-	2,303,853
Prepaid expenses	110,833	15,000	125,833
Capital assets, net of accumulated depreciation	42,363,637	39,866,535	82,230,172
Land and construction in progress - nondepreciable	6,364,570	4,363,156	10,727,726
Net pension asset	336,116	36,835	372,951
Total Assets	81,005,379	56,455,122	137,460,501
<u>Deferred Outflows of Resources</u>			
Deferred pension contribution	719,611	78,862	798,473
Deferred amounts on refunding	130,708	-	130,708
Total Deferred Outflows of Resources	850,319	78,862	929,181
Total Assets and deferred outflows of resources	81,855,698	56,533,984	138,389,682
<u>Liabilities</u>			
Accounts payable	1,345,180	502,467	1,847,647
Accrued liabilities	1,713,992	79,609	1,793,601
Surety bonds	-	43,901	43,901
Accrued interest	109,042	-	109,042
Contracts payable	-	451,412	451,412
Long-term liabilities due within one year	1,713,167	-	1,713,167
Long-term liabilities due in more than one year	19,417,594	456,219	19,873,813
Total Liabilities	24,298,975	1,533,608	25,832,583
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows of resources	699,386	76,646	776,032
Unavailable revenues	1,669,016	-	1,669,016
Total Deferred Inflows of Resources	2,368,402	76,646	2,445,048
<u>Net Position</u>			
Net investment in capital assets	33,751,650	43,778,279	77,529,929
Restricted for:			
Capital improvements	-	6,485,599	6,485,599
Debt service	233,520	-	233,520
Streets	2,878,374	-	2,878,374
Public safety	2,801,669	-	2,801,669
Stormwater	61,766	-	61,766
Parks	607,451	-	607,451
Pension benefits	356,341	39,051	395,392
Unrestricted	14,497,550	4,620,801	19,118,351
Total Net Position	\$55,188,321	\$4,923,730	\$110,112,051

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2015

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$2,792,067	1,755,062	3,440	-	(1,033,565)	-	(1,033,565)
Public safety	7,206,242	1,045,241	64,794	330,680	(5,765,527)	-	(5,765,527)
Recreation and Culture	1,288,754	105,231	-	1,864,421	680,898	-	680,898
Streets and public works	3,860,666	-	974,183	1,301,000	(1,585,483)	-	(1,585,483)
Stormwater	337,410	312,475	-	-	(24,935)	-	(24,935)
Interest on debt	677,723	934,650	-	-	256,927	-	256,927
Total Government Activities	16,162,862	4,152,659	1,042,417	3,496,101	(7,471,685)	-	(7,471,686)
Business-type Activities:							
Sewer	5,604,550	5,293,464	-	5,099,830	-	4,788,744	4,788,744
Total Business-type Activities	5,604,550	5,293,464	-	5,099,830	-	4,788,744	4,788,744
Total Primary Government	\$21,767,411	9,446,123	1,042,417	8,595,931	(7,471,685)	4,788,744	(2,682,941)
General Revenues:							
Property taxes					\$1,577,329	-	1,577,329
Sales taxes					8,292,166	-	8,292,166
Wholesale beer tax					782,131	-	782,131
Wholesale liquor tax					368,268	-	368,268
Franchise tax					1,004,561	-	1,004,561
Hotel/motel tax					400,651	-	400,651
Business tax					810,647	-	810,647
State shared unrestricted taxes:							
State shared sales tax					1,884,229	-	1,884,229
State shared beer tax					11,741	-	11,741
State alcoholic beverage tax					102,171	-	102,171
State shared income tax					266,909	-	266,909
State shared TVA tax					285,948	-	285,948
Other unrestricted state shared taxes					38,985	-	38,985
Unrestricted investment earnings and rental income					202,609	83,661	286,270
Gain on sale of capital assets					508,520	16,000	524,520
Other					87,036	-	87,036
Total general revenues					16,623,901	99,661	16,723,562
Change in net position					9,152,216	4,888,405	14,040,621
Net position - beginning of year, as previously reported					46,095,575	50,041,842	96,137,417
Restatement					(59,470)	(6,517)	(65,987)
Net position - beginning of year, as restated					46,036,105	50,035,325	96,071,430
Net position - end of year					\$55,188,321	54,923,730	110,112,051

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2015

		Special Revenue Funds		Capital Projects Fund			
	General Fund	State Street Aid Fund	Emergency Services Fund	General Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>							
Cash	\$18,978,681	1,543,039	2,509,359	-	233,520	444,540	23,709,139
Cash - restricted - bond proceeds	-	-	-	2,303,853	-	-	2,303,853
Receivables (net)							
Property taxes	-	-	1,575,447	-	-	-	1,575,447
Other taxes	190,917						190,917
Due from other governments	2,461,943	127,765	-	324,844	-	-	2,914,552
Due from other funds	48,529	2,073	-	-	-	-	50,602
Other	6,207						6,207
Interest receivable	26	-	-	-	-	-	26
Prepaid items	97,574	-	4,800	-	-	-	102,374
Total Assets	<u>\$21,783,877</u>	<u>1,672,877</u>	<u>4,089,606</u>	<u>2,628,697</u>	<u>233,520</u>	<u>444,540</u>	<u>30,853,117</u>
<u>Liabilities</u>							
Accounts payable	\$433,845	550,071	26,110	5,540	-	31,286	1,046,852
Accrued costs	1,673,810	-	31,144	-	-	9,038	1,713,992
Due to other funds	-	-	-	50,602	-	-	50,602
Total Liabilities	<u>2,107,655</u>	<u>550,071</u>	<u>57,254</u>	<u>56,142</u>	<u>-</u>	<u>40,324</u>	<u>2,811,446</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue	<u>1,139,040</u>	<u>70,182</u>	<u>1,567,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,776,932</u>
<u>Fund Balance</u>							
Nonspendable:							
Prepays	97,574	-	4,800	-	-	-	102,374
Restricted for:							
Streets	1,205,499	1,052,624	-	-	-	-	2,258,123
Parks	607,451	-	-	-	-	-	607,451
Public safety	-	-	2,459,842	-	-	328,249	2,788,091
Stormwater	-	-	-	-	-	75,967	75,967
Streets - capital projects	-	-	-	2,572,555	-	-	2,572,555
Debt service	-	-	-	-	233,520	-	233,520
Committed:							
Stabilization	600,000	-	-	-	-	-	600,000
Assigned for:							
Subsequent year's budget	2,500,000	-	-	-	-	-	2,500,000
Unassigned:	13,526,658	-	-	-	-	-	13,526,658
Total Fund Balances	<u>18,537,182</u>	<u>1,052,624</u>	<u>2,464,642</u>	<u>2,572,555</u>	<u>233,520</u>	<u>404,216</u>	<u>25,264,739</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$21,783,877</u>	<u>1,672,877</u>	<u>4,089,606</u>	<u>2,628,697</u>	<u>233,520</u>	<u>444,540</u>	<u>30,853,117</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities

June 30, 2015

Amounts reported for fund balance - total governmental funds		\$25,264,739
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and , therefore, are not reported in the funds		48,728,207
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		
State shared revenue and local option sales tax receivable		1,069,562
Property taxes receivable		31,454
Internal service fund is used by management to charge the costs of medical insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		847,113
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(109,042)
Bond discounts costs are amortized over the life of the notes in the statement of activities.		5,540
Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net position		130,708
Pension plan reporting requires recognition of the City's portion of net pension liability or asset and deferred outflows/inflows of resources in governmental activities. These amounts are not reflected in the fund financial statements.		
Net pension asset	336,116	
Deferred outflows of resources	719,611	
Deferred inflows of resources	(699,386)	
		356,341
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.		
Governmental bonds and notes payable	(\$15,046,689)	
Capital leases payable	(2,369,969)	
Obligation to county schools	(284,602)	
Other post employment benefits	(3,004,947)	
Compensated absences	(430,094)	
		(21,136,301)
Net position of governmental activities		<u>\$55,188,321</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds

For the Year Ended June 30, 2015

		Special Revenue Funds		Capital Projects Fund			
	General	State Street Aid Fund	Emergency Services Fund	General Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$11,579,304	-	1,571,445	-	-	-	13,150,749
Intergovernmental	2,653,890	643,729	-	1,584,421	-	1,472	4,883,512
Fines and fees	860,357	-	-	-	-	156,453	1,016,810
Licenses and permits	1,667,062	-	330,680	-	934,650	312,475	3,244,867
Charges for services	399,333	-	-	-	-	-	399,333
Uses of money and property	245,293	6,677	21,803	12,418	2,065	2,353	290,609
Miscellaneous	416,074	-	500	25,000	-	-	441,574
Total Revenue	17,821,313	650,406	1,924,428	1,621,839	936,715	472,753	23,427,454
Expenditures							
Current:							
General government	2,760,630	-	-	-	-	-	2,760,630
Police	5,209,187	-	-	-	-	23,053	5,232,240
Fire	-	-	1,144,280	-	-	-	1,144,280
Streets and public works	1,441,614	702,604	-	378,009	-	-	2,522,227
Stormwater	-	-	-	-	-	303,204	303,204
Parks and culture	1,029,299	-	-	-	-	-	1,029,299
Debt service	-	-	-	-	2,410,570	-	2,410,570
Capital outlay	1,205,949	10,904	74,267	1,837,323	-	3,879	3,132,322
Total Expenditures	11,646,679	713,508	1,218,547	2,215,332	2,410,570	330,136	18,534,772
Excess (deficiency) revenues over expenditures	6,174,634	(63,102)	705,881	(593,493)	(1,473,855)	142,617	4,892,682
Other Financing Sources (Uses)							
Proceeds from sale of land	499,125	-	-	-	-	-	499,125
Transfers from (to) other funds	(1,664,850)	-	(300,000)	387,830	1,564,520	12,500	-
Total Other Financing Sources (Uses)	(1,165,725)	-	(300,000)	387,830	1,564,520	12,500	499,125
Net Change in Fund Balance	5,008,909	(63,102)	405,881	(205,663)	90,665	155,117	5,391,807
Fund Balance, Beginning of Year	13,528,273	1,115,726	2,058,761	2,778,218	142,855	249,099	19,872,932
Fund Balance, End of Year	\$18,537,182	1,052,624	2,464,642	2,572,555	233,520	404,216	25,264,739

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2015

Amounts reported for net change in fund balance - total governmental funds	\$5,391,807
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:	
Cost of assets acquired	3,132,322
Disposal of capital asset	(16,203)
Depreciation expense	(2,441,732)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	5,884
Local option sales tax	75,292
State shared revenues	67,526
Contributed capital assets	1,256,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect discounts and premiums and similar items when the debt is first issued, whereas these amounts deferred and amortized in the statement of activities.	
Debt repayment	1,725,689
Amortization of debt discounts, premiums and losses on refunding	(11,807)
Interest is accrued on the outstanding bonds in the governmental activities, whereas in the governmental funds, an interest expenditure is reported when due:	
Change in accrued interest on bonded debt	18,965
Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Compensated absences	(6,197)
Other post employment benefits	(529,286)
Pension expenditures in the governmental funds reflects amounts currently paid to fund the pension plan; however pension expense in the statement of activities is a comprehensive measurement consisting of elements deferrals and amortization of expenses which results in a difference in pension costs.	
Pension costs	415,810
Internal service funds are used by management to charge the costs of medical insurance to individual funds. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities. (net of amount allocated to business activities)	68,146
Change in net position of governmental activities	<u>\$9,152,216</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues</u>				Positive
				(Negative)
Local Taxes:				
Local sales taxes	\$7,773,000	7,773,000	8,216,874	443,874
Wholesale beer	850,000	850,000	782,131	(67,869)
Wholesale liquor	150,000	150,000	368,268	218,268
Franchise taxes	722,000	722,000	1,004,561	282,561
Hotel/Motel taxes	320,000	320,000	400,651	80,651
Business taxes	734,700	734,700	806,819	72,119
Total Local Taxes	10,549,700	10,549,700	11,579,304	1,029,604
Intergovernmental:				
State sales tax	1,779,730	1,779,730	1,848,310	68,580
State beer tax	12,274	12,274	11,741	(533)
State income tax	174,000	174,000	266,909	92,909
Gasoline and motor fuel tax	50,323	50,323	50,301	(22)
State alcohol beverage tax	92,000	92,000	102,171	10,171
Police inservice	24,900	24,900	25,200	300
Police overtime reimbursement	55,000	104,000	32,892	(71,108)
Fire inservice	500	500	500	-
Other state revenue allocation	16,400	16,400	25,188	8,788
TVA in lieu of tax	271,501	271,501	285,948	14,447
Grants	2,000	2,000	4,730	2,730
	2,478,628	2,527,628	2,653,890	126,262
Fines and Penalties:				
City court and drug control	797,200	797,200	860,357	63,157
Total Fines and Penalties	797,200	797,200	860,357	63,157
Licenses and Permits:				
Building permits	450,000	450,000	818,936	368,936
Plumbing permits	65,000	65,000	88,315	23,315
Review and inspection fees	180,000	180,000	213,874	33,874
Zoning permits	7,000	7,000	6,992	(8)
Sign permits	10,100	10,100	5,397	(4,703)
Electrical permits	225,000	225,000	253,264	28,264
Other permits	175,900	175,900	280,284	104,384
Total Licenses & Permits	1,113,000	1,113,000	1,667,062	554,062
Charges for Services:				
Public safety charges	86,000	86,000	27,931	(58,069)
Road improvement fees	126,500	126,500	266,171	139,671
Recreational fees	157,830	157,830	105,231	(52,599)
Total Charges for Services	370,330	370,330	399,333	29,003
Uses of Property and Money				
Administrative support services	88,000	88,000	88,000	-
Rent	40,000	40,000	49,618	9,618
Interest	1,000	1,000	107,675	106,675
Total Uses of Property and money	129,000	129,000	245,293	116,293
Other Revenues:				
Contributions from others	13,750	264,750	303,440	38,690
Sale of assets	25,396	25,396	25,598	202
Miscellaneous	28,168	250,926	87,036	(163,890)
Total Other Revenues	67,314	541,072	416,074	(124,998)
Total Revenues	15,505,172	16,027,930	17,821,313	1,793,383

Continued on next page

CITY OF MT. JULIET, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund, Continued

For the Year Ended June 30, 2015

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
General Government:				
Legislative Board:				
Salaries	\$68,800	68,800	65,522	3,278
Employee benefits	6,876	6,876	5,792	1,084
Supplies and other	3,750	3,750	929	2,821
Election	1,000	1,000	-	1,000
Total Legislative Board	80,426	80,426	72,243	8,183
City Court:				
Salaries	10,800	10,800	7,447	3,353
Employee benefits	855	855	569	286
Outside services	4,620	4,620	3,675	945
Supplies	500	500	-	500
Total City Court	16,775	16,775	11,691	5,084
City Manager:				
Salaries	417,652	417,652	408,545	9,107
Employee benefits	147,191	147,191	138,767	8,424
Outside services	11,000	11,000	14,251	(3,251)
Membership and dues	22,000	22,000	17,429	4,571
Events	58,000	58,000	53,809	4,191
Supplies	13,700	13,700	9,587	4,113
Insurance	2,400	2,400	375	2,025
Other costs	9,500	9,500	2,967	6,533
Retiree benefits	77,390	77,390	44,084	33,306
Capital outlay	-	-	-	-
Total City Manager	758,833	758,833	689,814	69,019
Finance:				
Salaries	221,718	221,718	219,547	2,171
Employee benefits	78,883	78,883	75,675	3,208
Outside services	44,600	44,600	47,142	(2,542)
Supplies	17,033	17,033	11,540	5,493
Other costs	3,560	3,560	43	3,517
Capital outlay	-	-	-	-
Total Finance	365,794	365,794	353,947	11,847
City Attorney:				
Outside services	175,000	175,000	176,686	(1,686)
Other costs	18,000	18,000	1,592	16,408
Total City Attorney	193,000	193,000	178,278	14,722
Economic and Community Development:				
Salaries	95,812	95,812	37,403	58,409
Employee benefits	43,409	43,409	27,385	16,024
City beautification	25,000	26,000	23,521	2,479
Outside services	67,200	67,200	65,318	1,882
Other costs	21,000	21,000	2,128	18,872
Capital outlay	-	-	-	-
Total Economic and Community Development	252,421	253,421	155,755	97,666

Continued on next page

CITY OF MT. JULIET, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund, Continued

For the Year Ended June 30, 2015

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
<u>General Government, continued:</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Planning and Codes:				<u>Positive</u>
Salaries	\$288,584	288,584	251,893	(Negative)
Employee benefits	102,127	102,127	87,188	14,939
Supplies	16,400	16,400	19,622	(3,222)
Outside services	81,000	81,000	67,029	13,971
Special census	35,000	35,000	27,933	7,067
Other costs	22,000	22,000	9,295	12,705
Capital outlay	150,000	150,000	-	150,000
Total Planning and Codes	695,111	695,111	462,960	232,151
City Hall Buildings and IT Services:				
Salaries	173,855	173,855	165,254	8,601
Employee benefits	52,641	52,641	42,006	10,635
Supplies	81,750	81,750	79,037	2,713
Repairs and maintenance	40,400	40,400	32,555	7,845
Outside services	118,530	118,530	105,450	13,080
Utilities	245,300	245,300	225,837	19,463
Insurance	27,550	27,550	8,773	18,777
Equipment rental	97,000	97,000	101,453	(4,453)
Other costs	37,300	37,300	907	36,393
Capital outlay	221,568	240,568	200,871	39,697
Total City Hall Buildings	1,095,894	1,114,894	962,143	152,751
City Garage:				
Salaries	53,364	53,364	53,118	246
Benefits	17,415	17,415	13,176	4,239
Repairs and maintenance	3,500	3,500	1,806	1,694
Supplies	11,250	11,250	6,570	4,680
Capital outlay	4,200	4,200	3,195	1,005
Total City Garage	89,729	89,729	77,865	11,864
Total General Government	3,547,983	3,567,983	2,964,696	603,287
Public Safety:				
Police Department:				
Salaries	3,434,679	3,434,679	3,145,952	288,727
Benefits	1,432,000	1,432,000	1,325,034	106,966
Repairs and maintenance	99,996	99,996	78,642	21,354
Supplies	370,284	401,784	289,401	112,383
Outside services	177,686	177,686	168,148	9,538
Utilities	18,300	18,300	17,937	363
Insurance	148,500	148,500	144,625	3,875
Other costs	94,386	93,386	39,448	53,938
Capital outlay	254,544	277,302	312,686	(35,384)
Total Public Safety	6,030,375	6,083,633	5,521,873	561,760
Streets and Public Works:				
Salaries	903,569	903,569	848,966	54,603
Employee benefits	432,957	432,957	386,089	46,868
Repairs and maintenance	45,500	97,979	87,668	10,311
Supplies	91,200	91,200	66,343	24,857
Outside services	63,700	63,700	22,907	40,793
Insurance	25,500	25,500	24,522	978
Other costs	12,725	12,725	5,119	7,606
Capital outlay	182,000	392,000	167,467	224,533
Total Streets and Public Works	1,757,151	2,019,630	1,609,081	410,549

Continued on next page

CITY OF MT. JULIET, TENNESSEE

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund, Continued

For the Year Ended June 30, 2015

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture:				
Salaries	\$439,310	439,310	456,199	(16,889)
Employee benefits	162,905	162,905	148,653	14,252
Repairs and maintenance	43,800	43,800	38,265	5,535
Supplies	94,700	94,700	63,697	31,003
Outside services	68,900	68,900	22,425	46,475
Insurance	19,150	19,150	9,700	9,450
Utilities	67,150	67,150	64,377	2,773
Other costs	4,860	4,860	1,048	3,812
Appropriations to nonprofits	230,095	230,095	224,935	5,160
Capital outlay	388,892	638,892	521,730	117,162
Total Recreation and Culture	<u>1,519,762</u>	<u>1,769,762</u>	<u>1,551,029</u>	<u>218,733</u>
Total Expenditures	<u>12,855,271</u>	<u>13,441,008</u>	<u>11,646,679</u>	<u>1,794,329</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,649,901</u>	<u>2,586,922</u>	<u>6,174,634</u>	<u>3,587,712</u>
Other Financing Sources (Uses):				
Proceeds from sale of land	-	500,000	499,125	(875)
Transfers out	<u>(5,300,647)</u>	<u>(5,813,147)</u>	<u>(1,664,850)</u>	<u>4,148,297</u>
Total Other Financing Sources (Uses)	<u>(5,300,647)</u>	<u>(5,313,147)</u>	<u>(1,165,725)</u>	<u>4,147,422</u>
Excess (Deficiency) of Revenues Over Expenditures & Other Uses	<u>(2,650,746)</u>	<u>(2,726,225)</u>	<u>5,008,909</u>	<u>7,735,134</u>
Fund Balance, Beginning of Year	<u>13,528,273</u>	<u>13,528,273</u>	<u>13,528,273</u>	<u>-</u>
Fund Balance, End of Year	<u>\$10,877,527</u>	<u>10,802,048</u>	<u>18,537,182</u>	<u>7,735,134</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

State Street Aid Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental:				
Petroleum special tax	\$456,659	456,659	441,443	(15,216)
Gas 1989 tax	70,000	70,000	70,828	828
Gas three cent tax	130,000	130,000	131,458	1,458
Interest	5,000	5,000	6,677	1,677
Total Revenues	<u>661,659</u>	<u>661,659</u>	<u>650,406</u>	<u>(11,253)</u>
<u>Expenditures</u>				
Street Maintenance				
Repairs and maintenance	746,000	746,000	657,540	88,460
Street lighting	50,000	50,000	45,064	4,936
Capital outlay	-	-	10,904	(10,904)
Total Expenditures	<u>796,000</u>	<u>796,000</u>	<u>713,508</u>	<u>82,492</u>
Excess of Revenues Over Expenditures	(134,341)	(134,341)	(63,102)	71,239
Fund Balance, Beginning of Year	<u>1,115,726</u>	<u>1,115,726</u>	<u>1,115,726</u>	<u>-</u>
Fund Balance, End of Year	<u>\$981,385</u>	<u>981,385</u>	<u>1,052,624</u>	<u>71,239</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

Emergency Services Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Local taxes:				
Property tax	\$1,468,392	1,468,392	1,571,445	103,053
Interest	9,000	9,000	21,803	12,803
Licenses and permits	-	-	330,680	330,680
Other - contributions	-	-	500	500
Total Revenues	<u>1,477,392</u>	<u>1,477,392</u>	<u>1,924,428</u>	<u>447,036</u>
<u>Expenditures</u>				
Fire				
Salaries	662,719	662,719	670,980	(8,261)
Benefits	433,961	433,961	321,368	112,593
Utilities	25,000	25,000	16,717	8,283
Contract services	8,250	14,250	4,868	9,382
Supplies	184,500	184,500	88,278	96,222
Repairs and maintenance	17,500	17,500	11,019	6,481
Insurance	20,000	20,000	17,466	2,534
Other	29,400	29,400	13,584	15,816
Capital outlay	347,500	47,500	74,267	(26,767)
Total Expenditures	<u>1,728,830</u>	<u>1,434,830</u>	<u>1,218,547</u>	<u>216,283</u>
Excess of Revenues Over Expenditures	(251,438)	42,562	705,881	663,319
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(251,438)	(257,438)	405,881	663,319
Fund Balance, Beginning of Year	<u>2,083,963</u>	<u>2,058,761</u>	<u>2,058,761</u>	<u>-</u>
Fund Balance, End of Year	<u>\$1,832,525</u>	<u>1,801,323</u>	<u>2,464,642</u>	<u>663,319</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Position

Proprietary Fund

June 30, 2015

	Business -type Activities	Internal Service Fund
	Sewer Enterprise Fund	
<u>Assets</u>		
Current Assets:		
Cash	\$3,871,991	794,451
Investments	1,049,322	-
Receivable-net of allowance for doubtful accounts of \$30,008	729,246	323,653
Interest receivable	3,420	-
Prepaid insurance	15,000	8,459
Inventory	52,896	-
Total Current Assets	<u>5,721,875</u>	<u>1,126,563</u>
Noncurrent Assets:		
Restricted cash - restricted for capital projects	6,485,599	-
Net pension asset	<u>36,835</u>	<u>-</u>
Capital Assets:		
Land	1,141,135	-
Construction in progress	3,222,021	-
Collection system	56,937,794	-
Buildings	498,000	-
Equipment	647,086	-
Total Capital Assets	62,446,036	-
Less: accumulated depreciation	<u>(18,216,345)</u>	<u>-</u>
Net Property, Plant and Equipment	44,229,691	-
Total Noncurrent Assets	<u>50,752,125</u>	<u>-</u>
Total Assets	<u>56,474,000</u>	<u>1,126,563</u>
<u>Deferred Outflows of Resources</u>		
Net difference between projected and actual earnings -pension plan	<u>78,862</u>	<u>-</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	502,467	298,328
Accrued expenses	79,609	-
Surety bonds	43,901	-
Contract payable	451,412	-
Total Current Liabilities	<u>1,077,389</u>	<u>298,328</u>
Noncurrent Liabilities:		
Other post-employment benefit obligation	456,219	-
Total Noncurrent Liabilities	<u>456,219</u>	<u>-</u>
Total Liabilities	<u>1,533,608</u>	<u>298,328</u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows of resources related to pensions	<u>76,646</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	43,778,279	-
Restricted for capital improvements	6,485,599	-
Restricted for pension benefits	39,051	-
Unrestricted	4,639,679	828,235
Total Net Position	<u>\$54,942,608</u>	<u>828,235</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(18,878)</u>	
Net Position of business -type activities	<u>\$54,923,730</u>	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the Year Ended June 30, 2015

	Business -type Activities Sewer Enterprise Fund	Internal Service Fund
Operating Revenues:		
Charges for sales and services - sewer	\$4,850,436	\$1,789,528
Sewer inspection and administrative charges	307,294	-
Penalties	98,841	-
Other	36,893	-
Total Operating Revenues	<u>5,293,464</u>	<u>1,789,528</u>
Operating Expenses:		
Sewer line and pump maintenance	991,741	-
Sewer lift station operation	268,788	-
Administrative and accounting	440,518	1,849,118
Sewer transportation and treatment	2,526,719	-
Depreciation	1,161,819	-
Professional services	121,379	-
Total Operating Expenses	<u>5,510,964</u>	<u>1,849,118</u>
Operating Income (Loss)	<u>(217,500)</u>	<u>(59,590)</u>
Nonoperating Revenues (Expenses):		
Rent	16,000	-
Gain on sale of capital assets	34,151	-
Interest income	83,661	-
Net Nonoperating Revenues (Expenses)	<u>133,812</u>	<u>-</u>
Net Income (Loss) Before Contributions	<u>(83,688)</u>	<u>(59,590)</u>
Contributions:		
Capital contribution - Tap fees	3,775,105	-
Capital contribution - Utility plant	1,324,725	-
Total Contributions	<u>5,099,830</u>	<u>-</u>
Change in Net Position	<u>5,016,142</u>	<u>(59,590)</u>
Net Position - Beginning of Year, as previously reported	49,932,983	887,825
Restatement	(6,517)	-
Net Position - Beginning of Year, as restated	<u>49,926,466</u>	<u>887,825</u>
Net Position - End of Year	<u>\$54,942,608</u>	<u>828,235</u>
Change in Net Position as shown above	5,016,142	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(127,737)	
Change in Net Position of business -type activities	<u>\$4,888,405</u>	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2015

	Sewer Enterprise Fund	Internal Service Fund
Cash Flows Provided (Used) By Operating Activities:		
Cash received from customers	\$5,190,185	-
Cash paid for personnel services	(726,211)	-
Cash paid to suppliers for goods and services	(3,473,069)	-
Cash refunded on surety bonds	(203,343)	-
Cash paid for interfund administrative support services	(88,000)	-
Premiums received	-	1,473,534
Medical claims and administrative expenses paid	-	(1,676,018)
Net Cash Provided (Used) by Operating Activities	699,562	(202,484)
Cash Flows Provided (Used) By Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(2,772,517)	-
Cash received on sale of capital assets	34,151	-
Contributions from customers	3,775,105	-
Net Cash Provided (Used) by Capital and Related Financing Activities	1,036,739	-
Cash Flows Provided (Used) By Investing Activities:		
Purchase of investments	(559)	-
Rent received	16,000	-
Interest received on investments	84,219	-
	99,660	-
Net Increase (Decrease) in Cash	1,835,961	(202,484)
Cash and Cash Equivalents, Beginning of Year	8,521,629	996,935
Cash and Cash Equivalents, End of Year	\$10,357,590	794,451
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>		
Operating income (loss)	(\$217,500)	(59,590)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,161,819	-
Change in deferred outflows of resources-pension related	808	-
Change in deferred inflows of resources-pension related	76,646	-
Change in net pension asset	(36,835)	-
Change in other post-employment benefit obligation	54,715	-
(Increase) Decrease in:		
Accounts receivable	(103,279)	(315,994)
Prepaid expenses	(1,554)	(8,459)
Inventory	29,585	-
Increase (Decrease) in:		
Accounts payable	27,769	181,559
Accrued expenses	(3,082)	-
Surety bonds	(203,343)	-
Net pension liability	(86,187)	-
Net cash provided by operating activities	\$699,562	(202,484)

Non-cash Investing, Capital and Financing Activities

During the year the City accepted sewer lines from developers in the amount of \$1,324,725

During the year the City acquired capital assets by contracts payable in the amount of \$451,412

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The City of Mt. Juliet, Tennessee, was incorporated in 1972. The City operates under a Commissioner - Manager form of government and provides the following services as authorized by its charter; public safety (police), highways and streets, sanitation, public improvements, planning and zoning, and general administrative services and sanitary sewers.

The accounts of the City of Mt. Juliet are maintained, and the financial statements have been prepared in conformity with recommendations of the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

Reporting Entity

The accompanying financial statements present the government and its components units, entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation.

As of June 30, 2015, the City had no component units which were required to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants (including fines and fees) who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation, (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes and other shared revenues through intermediary collecting governments are considered measurable and available if received within 30 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *State Street Aid Fund* accounts for all revenue and expenditures from the City's share of state gasoline taxes. Tennessee state law requires these receipts be kept in a separate fund and used for the construction and maintenance of town streets and certain related street expenditures.

The *Emergency Services Fund* is used to account for the initial establishment and operation of the fire department.

The *General Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities and repairs to infrastructure. Resources are provided primarily from grants and transfers from other governmental funds.

The *Debt Service Fund* is used to account for the payment of principal and interest on governmental debt. Resources are provided from impact fees restricted for debt service and transfers from the governmental funds.

The government reports the following major proprietary fund:

The *Sewer Fund* accounts for the waste water services provided to customers of the system.

Additionally, the City reports the following fund types:

Internal Service Fund, to account for costs associated with the employees' health insurance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utilities and various other functions of the government whose elimination would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants (including fines and fees) for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation, (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Joint Venture

The City has entered into a joint venture with Wilson County to form the Wilson County/Mt. Juliet Development Board to promote economic development in the area. The board is composed of six members, three appointed by each entity. The City has no equity interest in the joint venture, however, the City is required to contribute one half the funding necessary to pay development costs of projects approved by the board. Recovery of costs by the City will be from an allocation of the real and personal property taxes collected by the county as a result of projects for which the Board was responsible. Required disclosures are included in the following notes.

Cash and Equivalents

Cash and cash equivalents include amounts in demand deposits, savings accounts, money market accounts and short-term certificates of deposit maturing within three months or less of initial maturity dates. Also due to liquidity, the City considers funds deposited in the local government investment pool as a cash equivalent for financial statement and cash flow purposes. Restricted cash in the Capital Projects and Sewer Fund is restricted for capital improvements.

Inventories of Supplies

Inventory items are considered expenditures/expenses when used (consumption method). Inventories are valued as follows:

Enterprise (Sewer) Fund - Inventory, principally materials, supplies and replacement parts, is valued at the lower of cost (first-in, first-out) or market.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid expenses. These consist primarily of prepaid insurance and a prepaid maintenance contract with the railroad.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." The residual balance between governmental activities and business-type activities at year end was \$18,878 which relates to the consolidation of the internal service fund activities.

All trade receivables and tax receivables, are shown net of an allowance for uncollectibles.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$3,000 or more and an estimated useful life in excess of two years. Infrastructure capital assets are defined by the City as assets with an individual cost of \$10,000 or more with an estimate useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

Pursuant to GASB Statement 34, the City is not required to record and depreciate infrastructure assets acquired prior to the implementation date July 1, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, there was no capitalized interest recorded.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years	Sidewalks	30 years
Improvements other than buildings	30 years	Bridges	50 years
Road system infrastructure	30 years	Sewer lines	45 years
Machinery, equipment and vehicles	5 - 10 years	Sewer transmission equipment	10-15 years

Claims Payable

Medical insurance claims payable are classified as accounts payable and are recorded in accordance with GASB Statement Number 10.

Compensated Absences

General policy of the City permits the accumulation, within certain limitations, of unused sick and annual leave with unlimited carryover. No provision exists for payment of accumulated sick leave on termination.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of City of Mt. Juliet's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from City of Mt. Juliet's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Long-term Obligations, Continued

Bond and note premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Loss on refunding, if applicable is reported as deferred outflows of resources and amortized over the shorter period of the old or new debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current year costs in the period of issuance in all financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items which qualify for reporting in this category. Deferred charges on refunding are reported in the government-wide financial statement of net position on the governmental activities statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are reported in the government-wide financial statements and fund financial statement in proprietary funds related to pensions and the current year pension contribution which is also deferred.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The *unavailable revenue* reported in the governmental funds balance sheet represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. The unavailable revenue reported in the statement of net position consists primarily of assessed and unlevied property taxes, as well as income taxes, and arises from imposed non-exchange revenues (property taxes) which are assessed prior to the end of the year but levied the subsequent year. Deferred inflows of resources are also reported related to pension experience and investment earnings differences which will be amortized over the next six years.

Equity Classification

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, end of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation. *When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first and then unrestricted resources as they are needed.*

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

In accordance with Governmental Accounting Standard Board (GASB) Statement 54, fund balance is reported in the fund financial statements under the following categories. *Nonspendable fund balance* represents amounts that are required to be maintained intact, such as inventories and prepaid items. *Restricted fund balance* is that portion of fund balance that can be spent only for the specific purposes stipulated by external resource or through enabling legislation.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Committed fund balance includes amounts constrained to specific purposes as determined by formal action of the City using its highest level of decision-making authority, an ordinance by the City Board. Conversely, to rescind or modify a fund balance commitment, action by the Board is also required. *Assigned fund balance* amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Board by resolution. Appropriations of fund balance to eliminate projected budgetary deficits in the subsequent year's budget are presented as assignments of fund balance. *Unassigned fund balance* is the residual classification of the General Fund.

It is the City's policy to first use restricted fund balance when an expense is incurred for purposes which both restricted and unrestricted funds are available. The City's policy for the use of unrestricted fund balance amounts required that committed amounts would be reduced first, followed by assigned amounts when expenditures incurred for purposes for which amounts in any of those committed fund balance classifications could be used.

By ordinance, the highest level of decision making authority, the Board, set aside a financial stabilization reserve in the General Fund, in the amount of \$600,000. An ordinance is required to remove funds from the account. The stabilization amount is included in the committed fund balance.

Property Taxes

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City's legal boundaries. Property taxes are secured by a statutory lien effective as of the original assessment date of January 1, and as such an enforceable legal claim to the subsequent fiscal year levy exists at year end. Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Industrial and Commercial Property

- Real	40%	Public Utility Property	55%
- Personal	30%	Farm and Residential Property	25%

Taxes are levied at a rate of \$0.20 and \$0.20 per \$100 of assessed valuation for years 2014 and 2015. Payments may be made during the period October 1 through February 28. Current tax collections of \$1,536,707 for the fiscal year ended June 30, 2015 were approximately 97.4% of the tax levy. By vote of the Board, the property taxes were levied for the purpose of capital items for public safety and are accounted for in the Emergency Services Fund. Taxes become delinquent in March of the year subsequent to the levy date; delinquent taxes are turned over to the County Clerk and Master for collection each April.

The government-wide financial statements report property taxes receivable of \$1,568,547 which is net of an allowance for doubtful collections of \$6,900. Of this receivable \$1,529,356 represents the estimated net realizable 2015 property taxes assessed but which will not be levied until the subsequent fiscal year. This amount is included in deferred inflows of resources. The receivable reported in the governmental funds balance sheet is \$1,575,447 with offsetting deferred inflows of resources for amounts not available at June 30, 2015. The additional taxes receivable of \$190,917 are beer and hotel/motel taxes.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

2) DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be 105 percent secured by collateral, less the amount of Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. The City approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of City staff.

At June 30, 2015 there were no amounts exposed to custodial credit risk.

Restricted cash in the governmental activities primarily relates to amounts collected from developers for road and park maintenance and improvements as well as unspent bond proceeds. Restricted cash in the business-type activities relates to amounts designated for sewer projects.

Investments

At June 30, 2015 the City had the following investments:

<u>Type of Investment</u>	<u>Fair Value/ Carrying Amount</u>	<u>Weighted Average Days to Maturity</u>	<u>Average Credit Quality Rating</u>
Certificates of Deposit	\$ <u>1,049,322</u>	458	N/A

Interest Rate Risk:

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit/Credit Concentration Risk:

The City's general investment policy is to apply the prudent-person rule; investments are made as a prudent person should be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and in general avoid speculative risks, as well as limited to investments authorized by state law.

3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
Governmental activities					
<u>Capital assets not being depreciated:</u>					
Land	\$ 2,970,969	1,647,341	-	-	4,618,310
Construction in progress	1,616,335	129,925	-	-	1,746,260
<u>Capital assets being depreciated:</u>					
Buildings and improvements	7,111,669	-	-	-	7,111,669
Improvements other than buildings	3,484,769	285,548	-	-	3,770,318
Machinery and equipment	9,820,300	1,029,464	(566,823)	-	10,282,940
Infrastructure	<u>34,813,335</u>	<u>1,296,044</u>	<u>-</u>	<u>-</u>	<u>36,109,379</u>
Total capital assets	\$ <u>59,817,377</u>	<u>4,388,322</u>	<u>(566,823)</u>	<u>-</u>	<u>63,638,876</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

3) CAPITAL ASSETS, (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
Governmental activities					
<u>Less accumulated depreciation for:</u>					
Buildings and other improvements	\$ 1,731,374	174,295	-	-	1,905,669
Improvements other than buildings	1,503,754	190,688	-	-	1,694,442
Machinery and equipment	3,821,628	894,455	(550,620)	-	4,165,463
Infrastructure	5,962,801	1,182,294	-	-	7,145,095
 Total accumulated depreciation	<u>13,019,557</u>	<u>2,441,732</u>	<u>(550,620)</u>	<u>-</u>	<u>14,910,669</u>
Governmental activities capital assets, net	\$ <u>46,797,820</u>				<u>48,728,207</u>

During the year, the City accepted donated equipment and infrastructure in the amount of \$1,256,000.

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,141,135	-	-	-	1,141,135
Construction in process	434,032	2,787,989	-	-	3,222,021
 <u>Capital assets being depreciated:</u>					
Building	492,733	5,267	-	-	498,000
Collections System	55,330,403	1,748,300	(140,909)	-	56,937,794
Equipment	769,847	7,098	(129,859)	-	647,086
Total capital assets	\$ <u>58,168,150</u>	<u>4,548,654</u>	<u>(270,768)</u>	<u>-</u>	<u>62,446,036</u>
 Less accumulated depreciation for:					
Collection System and building	\$ 16,682,680	1,022,319	(140,909)		17,564,090
Equipment	642,614	139,500	(129,859)		652,255
Total accumulated depreciation	<u>17,325,294</u>	<u>1,161,819</u>	<u>(270,768)</u>		<u>18,216,345</u>
 Business-type activities capital assets, net	\$ <u>40,842,856</u>				<u>44,229,691</u>

Depreciation expense was charged to function/programs as of June 30, 2015, as follows:

Governmental activities:	
General government	\$ 59,018
Public safety	790,618
Street and public works	1,295,968
Stormwater	3,466
Recreational and culture	292,662
Total depreciation expense- governmental activities	\$ <u>2,441,732</u>
 Business-type activities:	
Water and Sewer	\$ <u>1,161,819</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

4) RECEIVABLES

Accounts and taxes receivable at June 30, 2015 consisted of the following:

	General	Emergency	Capital	State	Enterprise	
	<u>Fund</u>	<u>Services Fund</u>	<u>Projects</u>	<u>Street Aid</u>	<u>Fund</u>	<u>Total</u>
Property taxes	\$ -	1,575,447	-	-	-	1,575,447
Beer/liquor taxes	148,567	-	-	-	-	148,567
Hotel/Motel tax	42,350	-	-	-	-	42,350
Other governments	2,461,943	-	127,765	324,844	-	2,914,552
Customer	-	-	-	-	760,820	760,820
Other	329,886	-	-	-	3,420	333,306
Allowance for-doubtful accounts	-	(6,900)	-	-	(31,574)	(38,474)
	<u>\$ 2,982,746</u>	<u>1,568,547</u>	<u>127,765</u>	<u>324,844</u>	<u>732,666</u>	<u>5,736,568</u>

5) DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred inflows of resources on the governmental funds balance sheet consists of amounts that are unavailable to liquidate liabilities of the current period which include property taxes, in lieu of property taxes and state shared revenues. At June 30, 2015, the components of deferred outflows and inflows on the government wide statement of net position consisted of the following:

	Governmental	Business-type
	<u>Activities</u>	<u>Activities</u>
<u>Deferred outflows of resources:</u>		
Deferred charge on refunding	\$ 130,708	-
Deferred current year pension contribution	<u>719,611</u>	<u>78,862</u>
	<u>\$ 850,319</u>	<u>78,862</u>
<u>Deferred inflows of resources:</u>		
Property taxes:		
2015 assessed and unlevied	\$ 1,529,356	-
Estimated 2015 Hall Income tax	139,660	-
Deferred difference in pension expected and actual experience	92,681	10,157
Deferred difference in actual and projected pension plan earnings	<u>606,705</u>	<u>66,489</u>
	<u>\$ 2,368,402</u>	<u>76,646</u>

Deferred inflows of resources in the governmental fund statements totaled \$2,776,932 and consisted of unlevied property taxes of \$1,529,356, delinquent property taxes of \$38,354 and unavailable state and local shared taxes of \$1,209,222.

6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities for general government purposes.

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. These bonds relate to the Sewer Enterprise Fund. Should sewer revenues be insufficient to pay the debt service, the debt is payable from the taxing authority of the City. For governmental activities, compensated absences and other post-employment benefits obligations are generally liquidated by the general fund.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE, Continued

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Balance <u>07-01-14</u>	<u>Addition</u>	<u>Reductions</u>	Balance <u>06-30-15</u>	Current <u>Portion</u>
<u>Governmental Activities</u>					
Public Improvement Bonds	\$ 14,740,000	-	500,000	14,240,000	520,000
Capital Outlay Notes	1,802,319	-	995,630	806,689	520,000
Obligation to county school system	284,602	-	-	284,602	56,920
Capital lease	2,600,028	-	230,059	2,369,969	236,247
Net OPEB obligation	2,475,661	529,286	-	3,004,947	-
Compensated absences	<u>423,897</u>	<u>6,197</u>	<u>-</u>	<u>430,094</u>	<u>380,000</u>
Total Governmental Activities	\$22,326,507	<u>535,483</u>	<u>1,725,689</u>	21,136,301	<u>1,713,167</u>
Bond discounts/premiums	<u>(5,465)</u>			<u>(5,540)</u>	
	<u>22,321,042</u>			<u>21,130,761</u>	
<u>Business-type Activities</u>					
Net OPEB Obligation	\$ <u>401,504</u>	<u>54,715</u>	<u>-</u>	<u>456,219</u>	<u>-</u>

The July 1, 2014 net pension liability as restated in the amount of \$872,678, see Note #14. (\$786,491 governmental activities and \$86,187 business-type activities). At June 30, 2014 there was a net pension asset of \$372,951 (\$336,116 governmental activities and \$36,835 business-type activities.) See Note #7.

Long term bonds and notes at June 30, 2015 consisted of the following obligations:

	Balance <u>June 30, 2015</u>
<u>Governmental-type Activities</u>	
\$6,820,000 Series 2009 general obligation refunding bonds due in annual installments through year 2026 with semi-annual interest payments at rates ranging from 3% to 4.2%.	\$ 5,020,000
\$10,000,000 general obligation public improvement bonds Series 2010 due in annual installments through year 2034 with semi-annual interest payments at rates ranging from 3% to 4%.	9,220,000
\$1,100,000 Capital Outlay Notes due in annual installments through 2017 at an interest rate of 2.2%.	440,000
\$1,200,000 Capital Outlay Notes due in annual installments through 2018 at an imputed interest rate of 2%. Imputed discount	400,000 (33,311)
Obligation to County School System payable in annual installments beginning 2015 through 2019.	<u>284,602</u>
Total Governmental-type Activities	\$ <u>15,331,291</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE, Continued

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2015 are as follows:

<u>Governmental-type</u>					
<u>Fiscal</u> <u>Year</u>	Public Improvement <u>Bonds</u>	Capital <u>Notes</u>	Obligation to County School <u>System</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 520,000	520,000	56,920	576,995	1,673,915
2017	535,000	286,689	56,920	549,073	1,427,682
2018	555,000	-	56,920	523,401	1,135,321
2019	575,000	-	56,920	503,199	1,135,119
2020	595,000	-	56,922	482,688	1,134,610
2021-2025	3,270,000	-	-	2,059,288	5,329,288
2026-2030	4,130,000	-	-	1,336,968	5,466,968
2031-2034	<u>4,060,000</u>	<u>-</u>	<u>-</u>	<u>421,882</u>	<u>4,481,882</u>
	\$ <u>14,240,000</u>	<u>806,689</u>	<u>284,602</u>	<u>6,453,494</u>	<u>21,784,785</u>

The City entered into leases for the purchase of certain public safety fire equipment. The leases require repayment terms and have been accounted for as financing transactions. The City will have title to the assets by satisfying the minimum lease payments. The assets acquired through the capital lease are as follows:

	<u>Governmental</u> <u>Activities</u>
Fire equipment	\$ 2,600,028
Less accumulated depreciation	<u>(325,157)</u>
	\$ <u>2,274,871</u>

The future minimum lease obligations and net present values of those payments are as follows:

	<u>Lease Payments</u>
2015	\$ 300,000
2017	300,000
2018	300,000
2019	300,000
2020	300,000
2021-2024	<u>1,200,000</u>
Less amount	2,700,000
representing interest	<u>(330,031)</u>
	\$ <u>2,369,969</u>

7) PENSION PLAN

Plan Description

Employees of City of Mt. Juliet are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

7) PENSION PLAN, Continued

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	90
Active employees	<u>127</u>
	<u>243</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees do not contribute to the plan. City of Mt. Juliet makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for City of Mt. Juliet were \$798,473, 11.93 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept City of Mt. Juliet's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

City of Mt. Juliet's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

7) PENSION PLAN, Continued

Net Pension Liability (Asset), Continued

Actuarial Assumptions: The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

7) PENSION PLAN, Continued

Net Pension Liability (Asset), Continued

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from City of Mt. Juliet will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Balance at 6/30/13	\$ 9,867,504	8,994,826	872,678
Changes for the year:			
Service cost	443,365	-	443,365
Interest	763,410	-	763,410
Differences between expected and actual experience	(114,265)	-	(114,265)
Contributions – employer	-	806,691	(806,691)
Contributions- employees	-	-	-
Net investment income	-	1,536,270	(1,536,270)
Benefit payments, including refunds of employee contributions	(264,132)	(264,132)	-
Administrative expense	-	(4,822)	4,822
Net changes	<u>828,378</u>	<u>2,074,007</u>	<u>(1,245,629)</u>
Balance at 6/30/14	\$ <u>10,695,882</u>	<u>11,068,833</u>	<u>(372,951)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of City of Mt. Juliet calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City of Mt. Juliet's net pension liability (asset)	\$ 1,565,072	(372,951)	(1,909,568)

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

7) PENSION PLAN, Continued

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2015, City of Mt. Juliet recognized pension expense of \$337,094.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, City of Mt. Juliet reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	102,838
Net difference between projected and actual earning on pension plan investments	-	673,194
Contributions subsequent to the measurement date of June 30, 2014	<u>798,473</u>	<u>-</u>
Total	\$ <u>798,473</u>	<u>776,032</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$(179,726)
2017	(179,726)
2018	(179,726)
2019	(179,726)
2020	(11,427)
Thereafter	(45,701)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

As of June 30, 2015, the City had no amounts payable for outstanding contributions to the pension plan required at year end.

8) POST EMPLOYMENT HEALTHCARE PLAN

The City administers the City of Mt. Juliet, Tennessee Post Retirement Medical Benefit Plan. For accounting purposes, the plan is a single employer defined benefit OPEB plan. Benefits are established and amended by the Mayor and the Board of Commissioners. Retired employees with 15 years of service, drawing retirement from the City's retirement account under TCRS, are eligible for the Plan until the employee is eligible for Medicare coverage. The Plan does not issue a stand-alone report.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

8) POST EMPLOYMENT HEALTHCARE PLAN, Continued

Plan Provisions

Medical Benefits

Eligibility	Retirement after age 60 with 15 years of service or with 30 years of Service. Coordinated with TCRS retirement.
Dependent eligibility	Spouse and eligible children.
Postretirement contributions	There is a retiree contribution for single medical coverage depending on the plan selected and smoker status. A small contribution is required for single dental and vision coverage. No retiree contribution is required for life insurance. The retiree pays a full contribution for family medical dental and vision coverage.

Funding Policy

The City offers a Medical, Dental, Vision and Life Insurance program to retirees and the family of City retired employees. The coverage is available for the life of the retiree and the spouse. No contribution is required for life insurance coverage. The other coverage contribution level for retirees is the same as that for current employees based on their coverage and lifestyle choices. The plan is "self-funded" and total cost is affected by the annual claims. The insurance plan administrator estimates the expected cost between \$1,047 and \$1,254 monthly per participant. Contributions by employees and retirees for medical coverage vary between \$70 and \$134 monthly for single coverage and between \$359 and \$484 monthly for family coverage. In addition, contributions are required for vision coverage at \$1 for single coverage and \$7 for family coverage, and dental coverage of \$6 for single coverage and \$65 for family coverage. The most recent actuarial valuation was July 1, 2014.

The following table summarizes active and retiree demographic information:

<u>Status</u>	<u>Participants</u>	<u>Employee Only</u>	<u>Employee & Family</u>
Active	116	59	57
Retired	4	3	1
Total	<u>120</u>	<u>62</u>	<u>58</u>

Annual OPEB Cost and Net OPEB Obligation

The following reflects projections made by the City's actuary.

ARC	\$ 679,379
Increase due to interest	86,315
Amortization of prior year	
Net OPEB contribution	(144,637)
Annual OPEB cost	621,057
Amount of contribution*	(37,056)
Increase in OPEB Obligation	584,001
Net OPEB Obligation 7/1/14	2,877,165
Net OPEB Obligation 6/30/15**	\$3,461,166

*Based on expected contribution per study.

**Governmental Activities - \$3,004,947; Business Activities - \$456,219

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

8) POST EMPLOYMENT HEALTHCARE PLAN, Continued

Annual OPEB Cost Summary

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/15	\$ 621,057	5.96%	\$3,461,166
6/30/14	584,295	6.34%	2,877,165
6/30/13	500,492	11.13%	2,329,926

Funded Status and Funding Progress

Actuarial valuation date	7/1/14
Actuarial accrued liability (AAL)	\$ 4,208,545
Actuarial value of plan asset	-
Unfunded actuarial accrued liability	4,208,545
Actuarial value of assets as a % of AAL	-
Covered payroll	\$ 6,749,693
UAAL as a percentage of covered payroll	62.35%

Actuarial valuations involve estimates of the value reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern on sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial method	Projected Unit Cost Method
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination
Accumulated Post-Retirement Benefit Obligation	The Actuarial Present Value of Benefits allocated to all periods in the valuation year.
Discount Rate	3.00% (0.00% real rate of return plus 3.00% inflation)

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

8) POST EMPLOYMENT HEALTHCARE PLAN, Continued

Actuarial Methods and Assumptions, Continued

Average Per Capita Claim Cost: Determined as of July 1, 2014:

<u>AGE</u>	<u>MEDICAL</u>	<u>AGE</u>	<u>MEDICAL</u>
55	9,077	60	10,269
56	9,303	65	5,809
57	9,536	70	6,573
58	9,774	75	7,436
59	10,019	80	8,414

Medicare becomes primary at age 65. A flat annual claim cost of \$469.68 was used for dental/vision coverage.

Health Care Cost Trend	Initial 7.00% per year to a level 3.00% for medical; level 2.50% used for dental/vision and retiree contributions.						
Mortality	RP-2000 Combined Table M/F Projection AA 2015						
Turnover	Rates varying by age. Sample rates: <table><tr><td><u>Age 25</u></td><td><u>Age 40</u></td><td><u>Age 55</u></td></tr><tr><td>14.5%</td><td>4.75%</td><td>0.00%</td></tr></table>	<u>Age 25</u>	<u>Age 40</u>	<u>Age 55</u>	14.5%	4.75%	0.00%
<u>Age 25</u>	<u>Age 40</u>	<u>Age 55</u>					
14.5%	4.75%	0.00%					
Disability	None assumed						
Retirement Rates	Rates vary by age from 55 to 65 with 100% retirement assumed at age 65.						
Retiree Contributions	A contribution depending on the plan and smoker status for single medical coverage and a contribution for single dental and vision coverage. Retirees pay the full active employee contribution for dependent coverage.						
<u>Data Assumptions</u>							
Age Difference/% Married	Not applicable						
Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage 100% of all actives who currently have healthcare coverage will continue with at least employee only coverage upon retirement.						
Valuation and Methodology Terminology	GASB accounting methodology used to determine the postretirement medical benefit obligations.						
Amortization Period	The period used to determine the amortization costs for the Unfunded Actuarial Accrued Liability is a level period for 30 years on an open basis.						
Valuation Date	July 1, 2014						

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

9) COMMITMENTS AND CONTINGENCIES

Metro Agreement

The City has an ongoing sewer treatment agreement with the Metro Nashville Government of Davidson County which began July 1, 2000. This agreement provides that Mt. Juliet is obligated to pay a fee per thousand gallons of flow from the Mt. Juliet System to Metro. This rate is to be recalculated on July 1 of each year with increases based on the Consumer Price Index. The agreement also provides that Mt. Juliet will not be responsible for any capital cost contribution to Metro except through the above flow charge. Additionally, for service connections that occur in Mt. Juliet after July 1, 2000, a one time capacity charge of \$569 for each 350 gallons of flow per day per connection shall be collected by Mt. Juliet and remitted to Metro. This is subject to adjustment every five years. During the current fiscal year the City paid Metro \$2,526,251 for sewer treatment and \$730,760 for connection charges under this agreement.

Contracts

The City currently has approximately \$8,000,000 in sewer improvement contracts in process. These contracts were approximately 29% complete at June 30, 2015 and are being financed with available reserves.

Litigation

There were several other pending lawsuits in which the City is involved. The City attorney estimates that potential claims against the City resulting from such litigation would not materially affect the financial statements of the City.

Leases

The City has entered into leases for computer and related equipment. The equipment may be purchased at its fair market value at the end of the term of the lease. The City made lease payments in the amount of \$79,411 during 2015. Future lease obligations are as follows:

2016	\$ 70,488
2017	49,908
2018	25,730
2019	<u>5,232</u>
	<u>\$151,358</u>

Contingencies

The City previously participated in the Local Government Insurance Cooperative (LOGIC), a public entity risk pool that operated as a common risk management and workers' compensation insurance program for approximately one hundred government entities. LOGIC was self-sustaining through member premiums and also obtained specific excess and aggregate excess coverage through a commercial insurance company. The City has learned the commercial insurance company is in bankruptcy, and the City may be assessed by LOGIC to help cover claims incurred during the City's participation, all known assessments have been accrued. The City does not believe, based on current information, any potential future assessment would be material to the City's financial statements.

The City received a Department of Housing and Urban Development Home Investment Partnership Grant Note. The grant note in the amount of \$384,968, is forgivable as long as the City continues to meet the terms of the grant note through 2025.

Amounts received from Grantor agencies are subject to audit and adjustments by Grantor agencies, principally Federal and State governments. Any disallowed claims, including amounts already collected could become a liability to the applicable fund.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

9) COMMITMENTS AND CONTINGENCIES, Continued

The local utility district has made a claim against the City for the cost of relocation of a water line related to a road project approximately 10 years ago. The amount of the claim is \$105,916. The City is evaluating the claim and no provision for the contingent liability has been made in these financial statements.

During a prior fiscal year, the City became aware of TCA 57-4-306 requiring the split of the liquor tax with the local school system. The City has recorded a liability for all prior year obligations, however the City is in litigation with the local school system regarding possible credits against the liability amount. No provision for those credits have been made in the financial statements.

10) RISK MANAGEMENT

The City has chosen to establish the Self Insured Medical Insurance Fund (internal service fund) for risks associated with the employees' health insurance plan. The fund is accounted for as an internal service fund where assets are set aside for claim settlements. The City retains the risk of loss to a limit of \$50,000 per employee, and \$1,487,127 aggregate annual cap. The City has obtained a stop/loss commercial insurance policy to cover claims beyond this liability. All full-time employees of the government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish an amount for catastrophic losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. For the government-wide financial statements the activity and assets and liabilities of the fund have been allocated to the participating funds.

Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance of Fiscal Year-End</u>
2012-2013	\$ 69,200	1,176,880	(1,062,330)	183,750
2013-2014	\$ 183,750	1,608,097	(1,675,080)	116,767
2014-2015	\$ 116,767	1,849,118	(1,667,557)	298,328

The City is exposed to various other risks of losses. The City deemed it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property and casualty, and workers compensation coverage. The City participates in the TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML for its general liability, property and casualty and workers compensation insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of certain amounts for each insured event. Settled claims from these losses have not exceeded insurance coverage in any of the past three fiscal years.

11) JOINT VENTURE

During the 1995 fiscal year the City entered into an inter-local agreement with Wilson County as authorized by TCA Section 5-1-113 and 12-9-101. As part of this agreement all assets and liabilities associated with Mt. Juliet Development Corporation, a component unit of the City, were transferred to Wilson County/Mt. Juliet Development Board, a joint venture with the County.

The Board of the joint venture consists of six members, three appointed by each government. During the year the City did not appropriate any funds to the venture. Upon dissolution any obligations become the obligation of the County and any remaining funds shall be paid equally to the participating parties. At June 30, 2015 and 2014, the Board had an accumulated net position of \$550,344 and \$497,961 respectively. The net change in net position for fiscal year 2015 was \$52,386. Separate financial statement information regarding the joint venture is available from the City.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

12) INTERFUND TRANSACTIONS

Interfund receivables and payables are attributable to obligations between funds. The actual cash transfer has not been made at June 30, 2015. The balances were eliminated in the government-wide financial statements. The composition of interfund balances is as follows and relates to amounts expended for projects that are to be reimbursed by the General Fund and Capital Projects Fund. All interfund amounts were liquidated subsequent to year end.

<u>Receivable Fund</u>		<u>Payable Fund</u>	
State Street Aid Fund	\$ 2,073	Capital Projects Fund	\$ <u>50,602</u>
General Fund	<u>48,529</u>		
	<u>\$50,602</u>		

Balances between activities in the government wide financial statements also include \$18,578 related to the consolidation of the internal service fund. Interfund transfers for the year ended June 30, 2015 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	<u>Transfer In</u>			<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Debt Services Fund</u>	<u>Drug Fund</u>	
Transfer out:				
General Fund	\$ 387,830	1,264,520	12,500	1,664,850
Emergency Services Fund	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
	<u>\$ 387,830</u>	<u>1,564,520</u>	<u>12,500</u>	<u>1,964,850</u>

13) BUDGETS AND BUDGETARY ACCOUNTING

The City is required by state statute to adopt an annual budget. The General and Special Revenue Funds budgets are prepared on the basis that current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the Board. The City's budgetary basis is consistent with generally accepted accounting principles. Budget appropriations lapse at year end. The enterprise fund is not required to adopt an operating budget.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. The budget is legally enacted through passage of ordinance.
4. The budget is adopted on a departmental basis. Any revision that alters the total expenditures of any department or fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the department level. Budget appropriations lapse at year end.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2015

13) BUDGETS AND BUDGETARY ACCOUNTING, Continued

During the year the following amendments were made to budgeted appropriations:

General Fund:	
General Government	\$ 20,000
Public Safety	53,258
Streets and Public Works	262,479
Recreation	<u>250,000</u>
	\$ <u>585,737</u>
Emergency Services Fund	\$ <u>6,000</u>
Capital Projects Fund	\$ <u>(58,000)</u>
Drug Fund	\$ <u>30,500</u>
Debt Service Fund	\$ <u>500,000</u>

Budget amendments primarily related to supplies, capital asset purchases, and an increased payment on a capital outlay note.

14) GASB STATEMENTS ADOPTED AND RESTATEMENT

City employees participate in the Tennessee Consolidated Retirement System, refer to Note 7 for other details. Effective July 1, 2014, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 68 *Accounting an Financial Reporting for Pensions – an Amendment of GASB Statement 27*. As a result of the adoption of GASB 68, a cumulative adjustment was made to decrease net position at July 1, 2014 in the amount of \$65,987. The components of this adjustment are a net pension liability of (\$872,678) and the deferred pension contribution of \$806,691. The cumulative adjustment represents adjustment to governmental activities of \$59,470 and business-type activities of \$6,517. The effect of the change on operations in 2014-15 fiscal year was an aggregate increase of \$461,379 (\$415,810 governmental activities and \$45,569 business-type activities). The effect on the change in beginning net position of the Sewer Fund was a decrease of \$6,516 and the effect on fiscal year 2015 operations was an increase of \$45,569. Information was not available to determine the effect on operations of the previous year.

15) SUBSEQUENT EVENTS

Subsequent to year end the City paid off a Capital Outlay Note in the amount of \$386,689 with available reserves.

Also subsequent to year end the City entered into a contract for a road construction project in the approximate amount of \$13,494,000. The project is expected to be funded 80% by a federal grant.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MT JULIET, TENNESSEE

**SCHEDULE OF CHANGE IN NET PENSION LIABILITY
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year ending June 30,

	<u>2014</u>
Total pension liability	
Service cost	\$ 443,365
Interest	763,410
Changes in benefit terms	-
Differences between actual & expected experience	(114,265)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(264,132)</u>
Net change in total pension liability	828,378
Total pension liability- beginning	<u>9,867,504</u>
Total pension liability- ending (a)	<u><u>\$ 10,695,882</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 806,691
Contributions - employee	-
Net investment income	1,536,270
Benefit payments, including refunds of employee contributions	(264,132)
Administrative expense	<u>(4,822)</u>
Net change in plan fiduciary net position	2,074,007
Plan fiduciary net position- beginning	<u>8,994,826</u>
Plan fiduciary net position- ending (b)	<u><u>\$ 11,068,833</u></u>
 Net Pension Liability (asset) ending (a) - (b)	<u><u>\$ (372,951)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	103.49%
 Covered employee payroll	\$ 6,432,941
 Net pension liability (asset) as a percentage of covered employee payroll	5.80%

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF MT JULIET, TENNESSEE

**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 806,691	798,473
Contributions in relation to actuarilly determined contribution	<u>806,691</u>	<u>798,473</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
 Covered-employee payroll	 \$ 6,432,941	 6,694,908
Contributions as a percentage covered-employee payroll	12.54%	11.93%

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTES TO SCHEDULE

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	20 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living	2.5 percent

CITY OF MT JULIET, TENNESSEE

**OPEP BLAN
POST RETIREMENT MEDICAL BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

Funded Status and Funding Progress

Actuarial valuation date	7/1/09	7/1/10	7/1/12	7/1/14
Actuarial accrued liability (AAL)	\$ 3,632,044	2,516,208	3,144,802	4,208,545
Actuarial value of plan asset	-	-	-	-
Unfunded actuarial accrued liability	3,632,044	2,516,208	3,144,802	4,208,545
Actuarial value of assets as a % of AAL	-	-	-	-
Covered payroll	\$ 5,006,921	5,627,845	6,187,137	6,749,693
UAAL as a percentage of covered payroll	72.50%	44.71%	50.83%	62.35%

**COMBINING AND INDIVIDUAL NONMAJOR FUND
STATEMENTS AND SCHEDULES**

CITY OF MT. JULIET, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

<u>Assets</u>	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Fund</u>	<u>Stormwater Fund</u>	
Cash and cash equivalents	\$356,236	88,304	444,540
Total Assets	<u>356,236</u>	<u>88,304</u>	<u>444,540</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$27,987	3,299	31,286
Accrued liabilities	-	9,038	9,038
Total Liabilities	<u>27,987</u>	<u>12,337</u>	<u>40,324</u>
Fund Balances:			
Nonspendable - prepaids	-	-	-
Restricted	328,249	75,967	404,216
Total Fund Balance	<u>328,249</u>	<u>75,967</u>	<u>404,216</u>
Total Liabilities & Fund Balances	<u>\$356,236</u>	<u>88,304</u>	<u>444,540</u>

CITY OF MT. JULIET, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2015

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Drug Fund	Stormwater Fund	
<u>Revenues</u>			
Interest	\$1,758	595	2,353
Grants	1,472	-	1,472
Licences and permits and fees	-	312,475	312,475
Drug related fines, seizures, and sales	156,453	-	156,453
Total Revenues	<u>159,683</u>	<u>313,070</u>	<u>472,753</u>
<u>Expenditures</u>			
Stormwater:			
Current:			
Salaries	-	197,502	197,502
Employee benefits	-	74,513	74,513
Other	-	31,189	31,189
Capital outlay	-	-	-
Police:			
Current:			
Supplies and investigations	23,053	-	23,053
Capital outlay	3,879	-	3,879
Total Expenditures	<u>26,932</u>	<u>303,204</u>	<u>330,136</u>
Excess (Deficiency) of Revenues Over Expenditures	132,751	9,866	142,617
Other Financing Sources			
Transfers In (Out)	12,500		12,500
Fund Balance, Beginning of Year	<u>182,998</u>	<u>66,101</u>	<u>249,099</u>
Fund Balance, End of Year	<u>\$328,249</u>	<u>75,967</u>	<u>404,216</u>

FINANCIAL SCHEDULES

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

Drug Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<u>Revenues</u>				
Other:				
Interest	\$1,000	1,000	1,758	758
Grants	\$3,000	3,000	1,472	(1,528)
Drug related fines, seizures and sales	105,600	123,600	156,453	32,853
Total Revenues	109,600	127,600	159,683	32,083
<u>Expenditures</u>				
Program costs				
Contract services	5,000	5,000	3,314	1,686
Supplies	9,890	9,890	4,624	5,266
Investigations	49,000	49,000	13,515	35,485
Theft	-	-	1,600	(1,600)
Capital outlay	-	30,500	3,879	26,621
Total Expenditures	63,890	94,390	26,932	67,458
Excess of Revenues Over Expenditures	45,710	33,210	132,751	99,541
Other Financing Sources (Uses)				
Transfers In	-	12,500	12,500	-
Fund Balance, Beginning of Year	182,998	182,998	182,998	-
Fund Balance, End of Year	\$228,708	228,708	328,249	99,541

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

Stormwater Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Interest	\$391	391	595	204
Licenses and permits:				
Inspection and other fees	184,000	184,000	312,475	128,475
Total Revenues	<u>184,391</u>	<u>184,391</u>	<u>313,070</u>	<u>128,679</u>
<u>Expenditures</u>				
Street Maintenance				
Salaries	206,883	206,883	197,502	9,381
Employee benefits	80,308	80,308	74,513	5,795
Professional services	12,000	12,000	11,922	78
Supplies	17,800	17,800	8,119	9,681
Other	26,950	26,950	11,148	15,802
Capital outlay	-	-	-	-
Total Expenditures	<u>343,941</u>	<u>343,941</u>	<u>303,204</u>	<u>40,737</u>
Excess of Revenues Over Expenditures	(159,550)	(159,550)	9,866	169,416
Other Financing Sources (Uses)				
Transfers In (Out)	<u>89,390</u>	<u>89,390</u>	-	<u>(89,390)</u>
Fund Balance, Beginning of Year	<u>66,101</u>	<u>66,101</u>	<u>66,101</u>	<u>-</u>
Fund Balance, End of Year	<u><u>(\$4,059)</u></u>	<u><u>(4,059)</u></u>	<u><u>75,967</u></u>	<u><u>80,026</u></u>

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

General Capital Projects Fund

For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental:				
Grants	\$18,492,719	18,409,719	1,584,421	(16,825,298)
Other:				
Interest	10,000	10,000	12,418	2,418
Other	-	25,000	25,000	-
Total Revenues	<u>18,502,719</u>	<u>18,444,719</u>	<u>1,621,839</u>	<u>(16,822,880)</u>
<u>Expenditures</u>				
Streets and Public Works				
Repairs and maintenance	1,619,600	1,561,600	378,009	1,183,591
Capital outlay	23,752,649	23,752,649	1,837,323	21,915,326
Total Streets and Public Works	<u>25,372,249</u>	<u>25,314,249</u>	<u>2,215,332</u>	<u>23,098,917</u>
 Total Expenditures	 <u>25,372,249</u>	 <u>25,314,249</u>	 <u>2,215,332</u>	 <u>23,098,917</u>
Excess of Revenues Over Expenditures	(6,869,530)	(6,869,530)	(593,493)	6,276,037
Other Financing Sources (Uses)				
Note proceeds	-	-	-	-
Operating transfer in	4,212,000	4,212,000	387,830	(3,824,170)
Total other Financing Sources (Uses)	<u>4,212,000</u>	<u>4,212,000</u>	<u>387,830</u>	<u>(3,824,170)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(2,657,530)	(2,657,530)	(205,663)	2,451,867
Fund Balance, Beginning of Year	<u>2,778,218</u>	<u>2,778,218</u>	<u>2,778,218</u>	<u>-</u>
Fund Balance, End of Year	<u>\$120,688</u>	<u>120,688</u>	<u>2,572,555</u>	<u>2,451,867</u>

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

Debt Service Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Other:				
Interest	\$1,000	1,000	2,065	1,065
Impact fees	700,000	700,000	934,650	234,650
Total Revenues	701,000	701,000	936,715	235,715
<u>Expenditures</u>				
Debt Service				
Principal	1,255,112	1,755,112	1,725,689	29,423
Interest	702,196	702,196	684,881	17,315
Total Expenditures	1,957,308	2,457,308	2,410,570	46,738
Excess of Revenues Over Expenditures	(1,256,308)	(1,756,308)	(1,473,855)	282,453
Other Financing Sources (Uses)				
Operating transfer in	1,257,257	1,757,257	1,564,520	(192,737)
Total other Financing Sources (Uses)	1,257,257	1,757,257	1,564,520	(192,737)
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	949	949	90,665	89,716
Fund Balance, Beginning of Year	142,855	142,855	142,855	-
Fund Balance, End of Year	\$143,804	143,804	233,520	89,716

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2015

	<u>Land</u>	<u>Building & Improvements</u>	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:						
General Government	\$568,607	1,082,789	606,072	-	-	2,257,468
Public safety:						
Police	375,000	2,604,979	3,641,514	-	-	6,621,493
Fire	255,425	1,754,030	3,622,764	-	-	5,632,219
Streets and Public Works	2,714,849	736,058	1,271,233	35,586,390	1,681,044	41,989,574
Stormwater	-	-	58,152	-	-	58,152
Parks	704,429	4,704,131	1,083,205	522,989	65,216	7,079,970
Total governmental funds capital assets	<u>\$4,618,310</u>	<u>10,881,987</u>	<u>10,282,940</u>	<u>36,109,379</u>	<u>1,746,260</u>	<u>63,638,876</u>

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets By Function and Activity

For the Year Ended June 30, 2015

Function and Activity	Balance June 30, 2014	Additions	Transfers & Deletions	Balance June 30, 2015
General Government	\$1,933,055	249,871	74,542	2,257,468
Public safety:				
Police	7,069,201	316,751	(764,459)	6,621,493
Fire	5,322,445	74,267	235,507	5,632,219
Streets and Public Works	38,913,868	3,225,703	(149,997)	41,989,574
Stormwater	74,802		(16,650)	58,152
Parks	6,504,006	521,730	54,234	7,079,970
Total governmental funds capital assets	<u>\$59,817,377</u>	<u>4,388,322</u>	<u>(566,823)</u>	<u>63,638,876</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2015

Major Governmental Funds

	<u>Interest Rates</u>	<u>Amount</u>
General Fund:		
Passbook and checking accounts	-	\$18,976,924
Petty Cash	-	1,757
Total General Fund		<u>18,978,681</u>
General Capital Projects Fund:		
Passbook and checking accounts	-	2,303,853
Total Capital Projects Fund		<u>2,303,853</u>
Debt Service Fund		
Passbook and checking accounts	-	<u>233,520</u>
Emergency and Community Services Capital Projects Fund		
Passbook and checking accounts	-	<u>2,509,359</u>

Nonmajor Governmental Funds

State Street Aid Fund:		
Passbook and checking accounts	-	<u>1,543,039</u>
Drug Fund:		
Cash on hand	-	6,674
Passbook and checking accounts	-	349,562
Total Drug Fund		<u>356,236</u>
Storm Water:		
Checking accounts	-	<u>88,304</u>

Proprietary Funds

Sewer Enterprise Fund		
Petty Cash	-	550
Passbook and checking accounts	-	10,357,040
Total Sewer Enterprise Fund		<u>10,357,590</u>
Internal Service Fund		
Passbook and checking accounts	-	<u>794,451</u>
Total		<u><u>\$37,165,033</u></u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Changes in Property Taxes Receivable, Tax Rates, Assessments and Levies

For the Year Ended June 30, 2015

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Assessment</u>	<u>Levy</u>	<u>Taxes Receivable June 30, 2014</u>	<u>Levy</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2015</u>
2015	0.20	\$788,758,500	\$1,577,517	\$ -	1,577,517	1,536,707	40,810
2014	*	742,716,000	1,485,432	34,059	-	31,399	2,660
2012	*	708,757,810	1,416,493	3,107	-	2,666	441
2011	*	681,578,500	1,363,157	2,439	-	259	2,180
				<u>\$39,605</u>	<u>1,577,517</u>	<u>1,571,031</u>	<u>46,091</u>

** 2015 Levy	1,529,356
Property taxes receivable per the Governmental Funds Financial Statements	1,575,447
Allowance for uncollectibles	(\$6,900)
Property taxes receivable per the Government Wide Financial Statement s	<u>\$1,568,547</u>

* Turned over to County Clerk for collection.
Prior to tax year 2011 the City has not had a property tax since 1999.

** Current year anticipated levy

CITY OF MT. JULIET, TENNESSEE

Schedule of Long-Term Debt Requirements

Governmental-type Activities

June 30, 2015

Fiscal Year	Public Improvement Bonds		Public Improvement Refunding Bonds		Capital Outlay Notes		Obligation to County School System	Total
	Principal	Interest	Principal	Interest	Principal	Interest		
2016	\$150,000	368,998	370,000	190,803	520,000	17,194	56,920	1,673,915
2017	155,000	364,122	380,000	178,777	286,689	6,174	56,920	1,427,682
2018	155,000	357,923	400,000	165,478	-	-	56,920	1,135,321
2019	155,000	351,722	420,000	151,477	-	-	56,920	1,135,119
2020	155,000	345,910	440,000	136,778	-	-	56,922	1,134,610
2021	155,000	340,098	450,000	120,827	-	-	-	1,065,925
2022	155,000	333,897	470,000	103,953	-	-	-	1,062,850
2023	150,000	327,698	510,000	85,740	-	-	-	1,073,438
2024	165,000	321,697	510,000	65,340	-	-	-	1,062,037
2025	175,000	315,098	530,000	44,940	-	-	-	1,065,038
2026	185,000	308,098	540,000	22,680	-	-	-	1,055,778
2027	795,000	300,697	-	-	-	-	-	1,095,697
2028	830,000	268,898	-	-	-	-	-	1,098,898
2029	870,000	235,697	-	-	-	-	-	1,105,697
2030	910,000	200,898	-	-	-	-	-	1,110,898
2031	950,000	164,497	-	-	-	-	-	1,114,497
2032	990,000	126,498	-	-	-	-	-	1,116,498
2033	1,035,000	86,402	-	-	-	-	-	1,121,402
2034	1,085,000	44,485	-	-	-	-	-	1,129,485
<hr/>								
Total	<u>\$9,220,000</u>	<u>5,163,333</u>	<u>5,020,000</u>	<u>1,266,793</u>	<u>806,689</u>	<u>23,368</u>	<u>284,602</u>	<u>21,784,785</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal Awards

June 30, 2015

Federal Grants As Identified in the Catalog
of Federal Domestic Assistance:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>		<u>Expenditures</u>
16.607	Bullet Proof Vest Grant	US Department of Justice		\$2,757
20.205	Surface Transportation Program	* US Department of Transportation	**	1,579,886
20.205	Traffic Signal Preemptive Program	* US Department of Transportation	**	2,073
20.205	Greenway Grant	* US Department of Transportation	**	2,463
20.600	High Visibility Law Enforcement Grant	US Department of Transportation	**	1,972
				<u>\$1,589,151</u>

This schedule is presented on the accrual basis of accounting.

* Major Program

** Passed through the Tennessee Department of Transportation

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2015

Federal Grants As Identified in the
Catalog of Federal Domestic Assistance:

CFDA Number	Grant Number	Program Name	Grantor Agency	Accrued or Deferred Revenue 7/01/14	Cash Receipts	Program Income	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/15
16.607	N/A	Bullet Proof Vest Grant	U. S. Department of Justice	(\$3,467)		-	-	2,757	(6,224)
16.922	N/A	Equitable Sharing	U. S. Department of Justice	14,607	1,472	108	-	-	16,187
20.205	95LPLM-F2-014, 015, 023	Surface Transportation Program	* US Department of Transportation	(118,861)	1,377,577	-	(1,600)	1,579,886	(322,770)
20.205	95015-2221-94	Traffic Signal Preemptive Program	* US Department of Transportation	(3,775)	-	-	-	2,073	(5,848)
20.205	93LPLM-F3-022	Greenway Grant	* US Department of Transportation	-	-	2,463	-	2,463	-
20.600	Z15GHS255	High Visibility Law Enforcement Grant	* Federal Highway Administration	-	-		-	1,972	(1,972)
				<u>(\$111,496)</u>	<u>1,379,049</u>	<u>2,571</u>	<u>(1,600)</u>	<u>1,589,151</u>	<u>(320,627)</u>

This schedule is presented on the accrual basis of accounting.

Credit balances represent inter-governmental receivables from State and Federal Governments.

* Passed through the Tennessee Department of Transportation

CITY OF MT. JULIET, TENNESSEE
Schedule of Liability and Property Insurance in Force

June 30, 2015

<u>Insurance Coverage</u>	<u>Details of Coverage</u>
Tennessee Municipal League Insurance Pool	
Public Officials Error & Omissions	\$3,000,000/ \$2,500 deductible
General Liability Automobile Liability, Bodily Injury, Law Enforcement	\$300,000 per person bodily injury as limited by tort liability act \$700,000 per occurrence bodily injury as limited by tort liability act \$100,000 per occurrence law enforcement as limited by tort liability act \$3,000,000 per occurrence for each other
Automobile Physical Damage	Actual cash value of vehicle or cost to replace Deductible: Comprehensive \$1,000 Collision \$1,000
Uninsured Motorist	\$300,000 per person bodily injury \$100,000 per occurrence law enforcement
Automobile Medical Payments	\$1,000 per person/\$10,000 per accident
Property, Multi-Peril	
Real and Personal Property (Total Insured)	\$22,668,342
EDP Equipment/Media	\$504,000
Mobile Equipment	\$828,264
Flood	\$1,000,000
Earthquake	\$1,500,000
Newly Acquired Property	\$1,500,000
Loss of Revenue	\$250,000
Extra Expenses	\$500,000
Terrorism	\$500,000
Property in course of construction	\$500,000
Demolition/Debris removal/Consequential loss/Leasehold interest	\$500,000 each
Accounts receivable/Valuable records	\$250,000 each
Crime Limits	
Employee Dishonesty	
Forgery	\$250,000
Theft, Disappearance and Destruction	\$250,000
Computer Fraud	\$250,000
Tennessee Risk Management Trust Insurance Pool (Workmen's Compensation)	\$1,000,000 Each accident limit \$1,000,000 Policy limit by disease \$1,000,000 Employee limit by disease

CITY OF MT. JULIET, TENNESSEE

Schedule of City Officials

June 30, 2015

Position

Annual Salary

Elected Officials:

Mayor Ed Hagerty	\$1,000/monthly
Vice Mayor James Maness	\$950/monthly
Commissioner Art Giles	\$950/monthly
Commisioner Ray Justice	\$950/monthly
Commissioner Brian Abston	\$950/monthly

Employees:

City Manager, Kenneth Martin

Finance Director, John T. Rossmaier

City Recorder, Sheila S. Lockett

Public Works Director, Jessica Gore

Police Chief, James Hambrick

Fire Chief, Jamie Luffman

Economic Development, Vacant

Parks Manager, Roger Lee

Human Resources Director, Janet Southards

The City maintains a \$250,000 Public Officials conduct insurance policy.

CITY OF MT. JULIET, TENNESSEE

Schedule of Sewer System Data

June 30, 2015

	<u>Commercial</u>	<u>Outside City Commercial</u>	<u>Inside City Residential</u>	<u>Outside City Residential</u>
Sewer Rates (Based on water consumption)				
Minimum bill (first 2,000 gallons)	\$18.81	\$23.51	\$13.33	\$16.67
Each additional 1,000 gallons	\$9.10	\$11.37	\$6.53	\$8.17
Tap fees				
Residential (inside city)				\$1,500
Commercial (Based on meter size)				
Residential (outside city)				\$2,000
Installation and pump charges				\$2,000
Development fees				
Residential (Based on zoning)				\$1,320-2,570/lot
Inspection fee				\$50
Number of customers				10,056

OTHER REPORTS

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Mayor and Commissioners
Mt. Juliet, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mt. Juliet, Tennessee's, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered, the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (2015-01, 2015-02)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-02.

We also noted certain other matters that were reported to management in a separate letter dated November 2, 2015.

Honorable Mayor and Board of Commissioners
Mt. Juliet, Tennessee

City of Mt Juliet, Tennessee's Response to Findings

City of Mt. Juliet's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Mt. Juliet, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Yenny Howell". The signature is fluid and cursive, with a horizontal line extending from the end.

November 2, 2015

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Mayor and Commissioners
Mt. Juliet, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Mt. Juliet, Tennessee's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Mt. Juliet, Tennessee's major federal programs for the year ended June 30, 2015. The City of Mt. Juliet, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mt. Juliet, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mt. Juliet, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination of the City of Mt. Juliet, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Mt. Juliet, Tennessee, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of City of Mt. Juliet, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing for our audit of compliance, we considered City of Mt. Juliet's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of City of Mt. Juliet's internal control over compliance.

Report on Internal Control Over Compliance, Continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


November 2, 2015

City of Mt. Juliet, Tennessee

Schedule of Findings and Questioned Costs

June 30, 2015

I. Summary of Auditor's Results

- A. The June 30, 2015 Auditor's Report on the Financial Statements was an unqualified opinion.
- B. Two significant deficiencies in the internal control were disclosed during the audit of the financial statements.
- C. The audit disclosed one instance of noncompliance or other matters which is material to the financial statements.
- D. No significant deficiencies in internal control over major programs were disclosed by the audit.
- E. The June 30, 2015 report on compliance for major programs was an unqualified opinion.
- F. The audit did not disclose any audit findings which is required to be reported under §.510a.
- G. Major Programs – Surface Transportation Program, CFDA#20.205.
- H. Type A programs have been distinguished as those programs with expenditures greater than \$300,000.
- I. The City of Mt. Juliet was not considered to be a low risk auditee.

II. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Prior Year Material Weakness

- 2014-01 During the year, the City determined that certain infrastructure, capitalized in the prior year as City roads, were private roads within a gated community. This error was caused by weaknesses in procedures in designating and classifying donated infrastructure and resulted in a prior period adjustment.

Recommendation: We recommend that all donated infrastructure be subjected to a review process involving planning and public works departments to assure proper classification.

Response: The City requires that all developers build all subdivision roads to City standards whether they will be contributed to the City or remain the property of the home owners associations. Roads may exceed City standards but may not fall short of them. Therefore the inspectors apply the same standards in conducting their inspections and determining whether the roads meet the required standards to all roads according to their proposed use. The inspectors file the same reports and apply the same care to roads that are to become City property and those that will not. The former assistant Public Works Director was long in experience and so integrated into the process that he was simply aware which roads were to be contributed to the City and which were not. Roads that met the standards but were not to become City property were simply closed files when they were certified to meet the standard and the process ended with the assistant director. At termination of the director's employment, this knowledge was not documented and the remaining staff submitted all roads certified to meet the standard to be accepted as City property being unaware of any differentiation.

Going forward, each road construction file controlling the inspection history will be clearly marked to differentiate between roads that are to become City Property and those that are not. Therefore the knowledge will be available to any city employee handling the file rather than being limited to the memory recall of a single employee.

Status: Resolved.

Current Year Significant Deficiencies

- 2015-01 During the testing of pension controls related to City pension contributions, it was noted during the test period that there were certain employees with the same last name in which the contribution amounts were erroneously reported to the Tennessee Consolidated Retirement System (TCRS) for the incorrect employee. There were also small amounts related to life insurance benefits which were not properly calculated related to the contribution. Both these weaknesses in controls related to a period of time when the City payroll reporting to TCRS was being done manually due to changes in payroll software.

City of Mt. Juliet, Tennessee

Schedule of Findings and Questioned Costs (Continued)

June 30, 2015

II. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*. (Continued)

Current Year Significant Deficiencies (Continued)

2015-01 Procedures were extended for the employees with the same last name and it was noted that correct reporting was accomplished after the payroll software was implemented. The errors have been reported to TCRS.

Recommendation: We recommend the City routinely check the TCRS census records with the City payroll records to assure accurate information has been reported.

Response: During 2014, TCRS relied on a manually created report by the City which TCRS then manually entered into their system leaving two possibilities for errors to be created. There was no individualized report routinely provided by TCRS that could be utilized to uncover errors until the advent of GASB regulations requiring that such a report be provided the sponsoring entities. With the new GASB requirement, the City staff and the audit team had the opportunity to initiate a review and make corrections.

To address the weaknesses, first, the payroll supervisor will improve on the care required to enter the manual information. This will be easier in the future because the State has improved its input report that allows the one controlling the input to visually inspect addresses, SS#s, birthdays, and addresses before inputting the earnings for an individual employee.

Second, the City will access a more frequent check of the TCRS census records to locate errors sooner. A complete download and review of reported wages will occur at least annually.

Finally, the State has been asked to provide access to their input record that may be exported to Excel after data entry. Our payroll system can already provide such export. Therefore, with some minor data manipulation, the two files may be compared under program control in order to determine that the earnings information has been reported appropriately reducing the opportunity for errors to enter the system or allowing for more timely correction.

2015-02 During the fiscal year City officials became aware of a police officer submitting overtime hours that could not be documented that were worked, and also \$1,600 of drug investigative funds were not accounted for. The case was investigated by the Tennessee Bureau of Investigation and the US Drug Enforcement Agency. According to reports from the investigation, the amount of overtime payments questioned were approximately \$27,280 of which approximately \$13,100 was reimbursed to the City by the Department of Justice.

The officer pled guilty to the federal portion of the case and has been sentenced with a requirement to repay the Department of Justice the federal portion of the overtime payments. The Tennessee Bureau of Investigation is expected to pursue the remaining City portion of the case.

Recommendation: We recommend that overtime approval and oversight be improved by requiring written authorization by a supervisor for overtime to be worked and approval by the supervisor prior to payment of overtime.

City of Mt. Juliet, Tennessee

Schedule of Findings and Questioned Costs (Continued)

June 30, 2015

II. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*. (Continued)

Current Year Significant Deficiencies

2015-02 Response: During the investigation of the event, it was determined that the Supervisor of the City Police Department had inadequate access to the time record reports when its officers were involved in efforts controlled by the DEA. There was complete reliance on the police unit supervisor by both the DEA and the City police department. The DEA was unaware of the time being reported to the City by the officer in charge and the City was unaware of the time being reported to the DEA by the same officer.

The DEA has control of the schedule of those officers expected to be utilized and a sign-in log recording the officers' involvement with the DEA's efforts. The DEA has agreed to allow the Deputy Chief access to these documents. Such access will allow a comparison of first "Was the officer scheduled to work for DEA?" and second "Did the officer adhere to the schedule?" The Deputy Chief will then know to expect DEA time to be noted on time reports and the logs will record such time. Had there been access to the log-in reports in the past, it could have been seen that the officer was neither scheduled to be nor actually was at DEA operations when he was reporting on the City time sheet that such activity had occurred.

Finance was not privy to the detail reimbursement requests by the police department with regards to DEA operations. Copies of such requests shall be forwarded to Finance routinely in the future allowing Finance to see that the officers are actually paid for the time by the City that is to be reimbursed by DEA. This will prevent the officer-in-charge from inflating the time worked by the officer as well as the group to cover such inflation.

Finance will also follow up with a more frequent count of the confidential funds controlled by the officers in order to hold them more accountable for those funds.

III. Federal Findings and Questioned Costs

None.